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

February 5, 2019

Sojitz Corporation
(URL https://www.sojitz.com)
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Security code: 2768
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Scheduled date of delivery of dividends: -
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes

(Rounded down to millions of Japanese Yen)

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2018 (April 1, 2018 - December 31, 2018)

(1) Consolidated Operating Results

Description of % is indicated as the change rate compared with the same period last year.

	Revenue		Profit before tax		Profit for the period		Profit for the period attributable to owners of the Company		Total comprehensive income for the period	
For the third quarter ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
December 31, 2018	1,410,630	4.2	74,225	22.0	57,623	18.5	53,711	20.0	34,429	(48.4)
December 31, 2017	1,353,606	20.8	60,838	53.1	48,625	50.8	44,769	48.8	66,778	189.5

	Basic earnings per share	Diluted earnings per share
For the third quarter ended	Yen	Yen
December 31, 2018	42.97	42.97
December 31, 2017	35.79	35.78

Note : Basic earnings per share and Diluted earnings per share are calculated based on Profit for the period attributable to owners of the Company.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Total equity attributable to owners of the Company ratio
As of	Millions of Yen	Millions of Yen	Millions of Yen	%
December 31, 2018	2,322,842	641,487	598,473	25.8
March 31, 2018	2,350,351	625,124	586,464	25.0

2.Cash Dividends

	Cash dividend per share				
For the year ended	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
March 31, 2018	-	5.00	-	6.00	11.00
March 31, 2019	-	7.50	-		
March 31, 2019 (forecast)				9.50	17.00

Note : Changes in cash dividend forecast : Yes

3. Consolidated Earnings Forecast for the Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

Description of % is indicated as the change rate compared with the same period last year.

	Profit attributable to owners of the Company		Basic earnings per share
For the Year Ending March 31, 2019	Millions of Yen	%	Yen
Full-year	70,000	23.1	56.01

Note 1 : Changes in cash dividend forecast : No

Note 2 : Basic earnings per share is calculated based on Profit attributable to owners of the Company.

4. Others

(1) Changes in major subsidiaries during the period

(Changes in specified subsidiaries accompanying changes in scope of consolidation) : No

(2) Accounting policy changes and accounting estimate changes

1. Changes in accounting policies required by IFRS : Yes
2. Changes due to other reasons : No
3. Accounting estimate change : No

(3) Number of outstanding shares at the end of the periods (Common Stock):

1. Number of outstanding shares at the end of the periods (Including treasury shares):

As of December 31, 2018: 1,251,499,501 As of March 31, 2018: 1,251,499,501

2. Number of treasury shares at the end of the periods:

As of December 31, 2018 : 2,259,096 As of March 31, 2018 : 528,747

3. Average number of outstanding shares during the periods:

For the third quarter ended December 31, 2018 (accumulative): 1,250,045,944

For the third quarter ended December 31, 2017 (accumulative): 1,250,976,421

The Company established the Executive Compensation Board Incentive Plan Trust in the six-month period ended September 30, 2018. The trust account associated with this trust holds 1,727,600 shares of the Company’s stock, which are treated as treasury stock.

* This summary of consolidated financial results is not subject to quarterly reviews.

* Important Note Concerning the Appropriate Use of Business Forecasts and other

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.

1. Analysis of Business Results

(1) Overview of the Nine-Month Period Ended December 31, 2018

<u>Economic Environment</u>

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 United States continued to experience stable economic growth due to strong consumer spending and capital investment stimulated by tax reform measures. Conversely, stock prices were poor against a backdrop of concern regarding the potential impacts of the trade friction between the United States and China and the debt ceiling issues stemming from the House of Representatives and the Senate being controlled by different political parties.

Europe enjoyed strong consumer spending and capital investment accompanied by ongoing economic growth centered on Germany and France.

However, there was a growing sense of opaqueness in light of factors such as concern regarding the United Kingdom's consensus-lacking withdrawal from the European Union and the political protests in France.

In China, the slowdown in the economy is becoming ever more apparent amid sluggish infrastructure investment and consumer spending. In addition, ongoing caution is required with regard to the potential impacts of the increasingly more serious trade disputes with the United States and trends in government economic measures.

Despite the concern regarding currency depreciation stemming from the interest rate hike in the United States, Asia enjoyed strong conditions centered on internal consumption following a reprieve from the currency depreciation declines associated with uncertainty regarding the U.S. government administration and the flexible interest rate policies of Asian countries. However, this did not alleviate the need to monitor trends pertaining to the economic slowdown in China and the trade friction between the United States and China.

In Japan, relatively stable economic growth was achieved as the strong consumer spending trends outweighed the temporary impacts of typhoons, earthquakes, and other natural disasters.

<u>Financial Performance</u>

Sojitz Corporation's consolidated business results for the third quarter ended December 31, 2018 are presented below.

Revenue	Revenue was up 4.2% year on year, to ¥1,410,630 million, due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transactions volumes for coal and other resources; in the Automotive Division, a result of the acquisition of new domestic and overseas automotive dealership and other businesses.

Gross profit	Gross profit increased ¥12,901 million year on year, to ¥181,771 million, as a result of the rise in revenue.
Profit before tax	Profit before tax increased ¥13,387 million year on year, to ¥74,225 million, as a result of higher gross profit combined with a rise in other income associated with gains on a sale of automobile-related company.
Profit for the period	After deducting income tax expenses of ¥16,602 million from profit before tax of ¥74,225 million, profit for the period amounted to ¥57,623 million, up ¥8,998 million year on year. Profit for the period (attributable to owners of the Company) increased ¥8,942 million year on year, to ¥53,711 million.
Comprehensive income for the period	Although profit for the period increased, comprehensive income for the period decreased ¥32,349 million year on year, to ¥34,429 million, because foreign currency translation differences for foreign operations placed downward pressure on income and financial assets measured at fair value through other comprehensive income were down. Comprehensive income for the period (attributable to owners of the Company) was down ¥31,394 million year on year, to ¥31,259 million.

Results for the nine-month period ended December 31, 2018, are summarized by segment below.

Effective April 1, 2018, the Aerospace & IT Business Division, Infrastructure & Environment Business Division, and the Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division.
In addition, the name of the Metals & Coal Division was changed to the Metals & Mineral Resources Division.

<u>Automotive</u>
Revenue was up 34.7% year on year, to ¥185,690 million, due to the acquisition of new domestic and overseas automotive dealership and other businesses. Profit for the period (attributable to owners of the Company) decreased ¥952 million, to ¥5,042 million, as a decline in share of profit of investments accounted for using the equity method counteracted the benefits of a rise in other income associated with a gain on the sale of an automobile-related company.

<u>Aerospace & Transportation Project</u>
Revenue was down 21.7% year on year, to ¥20,785 million, due to the absence of gains on new ship turnovers recorded in the previous equivalent period. Despite a decrease in gross profit, profit for the period (attributable to owners of the Company) rose ¥1,090 million, to ¥2,943 million, due to an increase in other income associated with gains on sales of aircraft.

<u>Machinery & Medical Infrastructure</u>
Revenue was down 9.6% year on year, to ¥75,743 million, as a result of a decline in industrial machinery transactions. Profit for the period (attributable to owners of the Company) decreased ¥3,019 million, to ¥1,560 million, due to the rebound from earnings contributions from infrastructure-related projects recorded in the previous equivalent period.

<u>Energy & Social Infrastructure</u>
Revenue was down 36.7%, to ¥51,286 million, as a result of lower petroleum product transactions.
Profit for the period (attributable to owners of the Company) of ¥3,237 million was recorded, in comparison with loss for the period (attributable to owners of the Company) of ¥2,324 million in the nine-month period

ended December 31, 2017, because of a gain on the sales of an overseas solar power business operating company.

Metals & Mineral Resources

Revenue was up 22.5%, to ¥300,604 million, as a result of higher prices and transactions volumes for coal and other resources. Profit for the period (attributable to owners of the Company) rose ¥8,510 million, to ¥23,573 million, due to higher gross profit and an increase in share of profit of investments accounted for using the equity method.

Chemicals

Revenue was down 0.9% year on year, to ¥382,601 million, following the Company's withdrawal from low-profit transactions. Profit for the period (attributable to owners of the Company) increased ¥112 million, to ¥7,004 million, as a result of an increase in gross profit stemming from a rise in the price of methanol.

Foods & Agriculture Business

Revenue was down 14.4%, to ¥101,304 million, following lower feed material transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,918 million, to ¥2,679 million, as a result of a decline in the profit of overseas fertilizer businesses.

Retail & Lifestyle Business

Revenue was up 10.1% year on year, to ¥243,830 million, as a result of higher beef transactions following the lifting of safeguard. Profit for the period (attributable to owners of the Company) increased ¥597 million, to ¥4,819 million.

Industrial Infrastructure & Urban Development

Revenue was down 7.5% year on year, to ¥20,840 million, because of lower real estate transactions. Loss for the period (attributable to owners of the Company) of ¥161 million was recorded, in comparison with profit for the period(attributable to owners of the Company) of ¥529 million in the nine-month period ended December 31, 2017.

(2) Financial Position

Consolidated Balance Sheet

Total assets on December 31, 2018, stood at ¥2,322,842 million, down ¥27,509 million from March 31, 2018. This decrease was largely a result of other current assets that were decreased in aircraft-related business.

Total liabilities at December 31, 2018, amounted to ¥1,681,355 million, down ¥43,872 million from March 31, 2018. This decrease was largely due to decrease in trade and other payables associated with tobacco- and machinery-related transactions under current liabilities.

Total equity attributable to owners of the Company was ¥598,473 million on December 31, 2018, up ¥12,009 million from March 31, 2018. This increase was largely due to accumulation of profit for the period (attributable to owners of the Company).

Sojitz consequently, on December 31, 2018, the current ratio was 158.8%, the long-term debt ratio was 80.2%, and the equity ratio* was 25.8%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥653,571 million on December 31, 2018, ¥50,121 million increase from March 31, 2018. This resulted in the Company's net debt equity ratio* equaling 1.09 times at December 31, 2018.

(*) The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the Company.

Under Medium-Term Management Plan 2020, which began in the year ending March 31, 2019, the Sojitz Group continued to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has been endeavored to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic or financial environment and by keeping the long-term debt ratio at its current level.
As one source of long-term funding, Sojitz did not issue straight bonds in the nine-month period ended December 31, 2018. However, Sojitz will continue to closely monitor interest rates and market conditions and will consider floating additional issues whenever the timing and associated costs prove advantageous.
As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100 billion long-term yen commitment line (which remains unused) and long-term commitment line totaling US$1.9 billion (of which US$0.64 billion has been used).

Consolidated Cash Flows
In the nine-month period ended December 31, 2018, operating activities provided net cash flow of ¥16,940 million, investing activities used net cash of ¥32,450 million, and financing activities provided net cash of ¥4,911 million. Sojitz ended the period with cash and cash equivalents of ¥285,266 million, adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

(Cash flows from operating activities)
Net cash provided by operating activities amounted to ¥16,940 million, compared with net cash used in operating activities of ¥62,665 million in the previous equivalent period, in spite of outflows due to an increase in working capital.

(Cash flows from investing activities)
Net cash used in investing activities totaled ¥32,450 million, down ¥58,526 million year on year. Investment outflows for investment in a U.S. gas-fired thermal power generation business and a solar power generation business exceeded inflows from the sale of investments.

(Cash flows from financing activities)
Net cash used in financing activities amounted to ¥4,911 million, compared with net cash provided by financing activities of ¥145,919 million in the previous equivalent period. Dividends paid and other factors decreasing cash outweighed inflows in forms such as proceeds from borrowings.

(3) Consolidated Earnings Forecast

There has been no change to the consolidated earnings forecast announced together with financial results for the six-month period ended September 30, 2018.

*Caution regarding Forward-looking Statements
The forecasts appearing above constitute forward-looking statements. They are 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.

2. Summary information (other)

(1) Changes in major subsidiaries during the period

None

3. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(In millions of Yen)

	FY 2017 (As of March 31, 2018)	FY 2018 (As of December 31, 2018)
Assets		
Current assets		
Cash and cash equivalent	305,241	285,266
Time deposits	2,788	2,863
Trade and other receivables	549,789	766,659
Derivatives	2,703	4,117
Inventories	396,020	206,982
Income tax receivables	5,094	5,826
Other current assets	106,234	63,757
Subtotal	1,367,872	1,335,474
Assets as held for sale	8,425	18
Total current assets	1,376,297	1,335,492
Non-current assets		
Property, plant and equipment	172,135	186,306
Goodwill	65,842	65,779
Intangible assets	44,057	45,866
Investment property	24,486	23,607
Investments accounted for using the equity method	407,284	417,629
Trade and other receivables	63,824	62,951
Other investments	182,949	170,690
Derivatives	49	47
Other non-current assets	8,794	9,449
Deferred tax assets	4,630	5,022
Total non-current assets	974,053	987,350
Total assets	2,350,351	2,322,842
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	654,138	580,242
Bonds and borrowings	113,497	186,136
Derivatives	3,394	5,076
Income tax payables	13,632	7,237
Provisions	2,069	1,108
Other current liabilities	55,004	60,939
Subtotal	841,735	840,740
Liabilities directly related to assets as held for sale	4,182	13
Total current liabilities	845,918	840,754
Non-current liabilities		
Bonds and borrowings	797,982	755,564
Trade and other payables	4,759	5,906
Derivatives	2,634	2,600
Retirement benefits liabilities	22,016	22,073
Provisions	21,000	23,148
Other non-current liabilities	9,968	11,310
Deferred tax liabilities	20,946	19,997
Total non-current liabilities	879,308	840,600
Total liabilities	1,725,227	1,681,355
Equity		
Share capital	160,339	160,339
Capital surplus	146,512	146,605
Treasury stock	(174)	(865)
Other components of equity	124,348	101,496
Retained earnings	155,437	190,897
Total equity attributable to owners of the Company	586,464	598,473
Non-controlling interests	38,659	43,014
Total equity	625,124	641,487
Total liabilities and equity	2,350,351	2,322,842

(2) Consolidated Statements of Profit or Loss

(In millions of Yen)

	FY 2017 9-month (From April 1, 2017 To December 31, 2017)	FY 2018 9-month (From April 1, 2018 To December 31, 2018)
Revenue		
Sale of goods	1,283,540	1,330,732
Sales of service and others	70,065	79,898
Total revenue	1,353,606	1,410,630
Cost of sales	(1,184,735)	(1,228,859)
Gross profit	168,870	181,771
Selling, general and administrative expenses	(119,243)	(128,124)
Other income(expenses)		
Gain(loss) on sale and disposal of fixed assets, net	(143)	955
Impairment loss on fixed assets	(195)	(507)
Gain on reorganization of subsidiaries/associates	3,917	8,019
Loss on reorganization of subsidiaries/associates	(4,636)	(2,787)
Other operating income	4,625	3,928
Other operating expenses	(6,105)	(5,376)
Total other income/expenses	(2,537)	4,231
Financial income		
Interests earned	4,019	5,127
Dividends received	3,741	4,125
Other financial income	60	102
Total financial income	7,821	9,355
Financial costs		
Interest expenses	(11,132)	(11,757)
Total financial cost	(11,132)	(11,757)
Share of profit(loss) of investments accounted for using the equity method	17,059	18,749
Profit before tax	60,838	74,225
Income tax expenses	(12,212)	(16,602)
Profit for the period	48,625	57,623
Profit attributable to:		
Owners of the Company	44,769	53,711
Non-controlling interests	3,856	3,911
Total	48,625	57,623

(3) Consolidated Statements of Profit or Loss and other Comprehensive Income

(In millions of Yen)

	FY 2017 9-month (From April 1, 2017 To December 31, 2017)	FY 2018 9-month (From April 1, 2018 To December 31, 2018)
Profit for the period	48,625	57,623
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	8,512	(12,986)
Remeasurements of defined benefit pension plans	(421)	(145)
Share of other comprihensive income of investments accounted for using the equity method	5,555	1,865
Total items that will not be reclassified to profit or loss	13,647	(11,266)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	3,666	(8,247)
Cash flow hedges	369	(568)
Share of other comprihensive income of investments accounted for using the equity method	469	(3,110)
Total items that may be reclassified subsequently to profit or loss	4,505	(11,926)
Other comprehensive income for the year, net of tax	18,152	(23,193)
Total comprehensive income for the period	66,778	34,429
Total comprehensive income for the period attributable to:		
Owners of the Company	62,653	31,259
Non-controlling interests	4,125	3,170
Total	66,778	34,429

(4) Consolidated Statements of Changes in Equity

(In Millions of Yen)

	Attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2017	160,339	146,513	(170)	31,537	106,268	(5,124)
Profit for the period						
Other comprehensive income				4,405	13,854	52
Total comprehensive income for the period	—	—	—	4,405	13,854	52
Purchase of treasury stock		(0)	(2)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(8)		
Reclassification from other components of equity to retained earnings					(1,467)	
Other changes						
Total contributions by and distributions to owners of the Company	—	(0)	(2)	(8)	(1,467)	—
Balance as of December 31, 2017	160,339	146,512	(173)	35,934	118,655	(5,071)

Balance as of April 1, 2018	160,339	146,512	(174)	17,709	111,072	(4,432)
Impact of change in accounting policies						
Balance as of April 1, 2018 (Revised)	160,339	146,512	(174)	17,709	111,072	(4,432)
Profit for the period						
Other comprehensive income				(11,553)	(10,968)	201
Total comprehensive income for the period	—	—	—	(11,553)	(10,968)	201
Purchase of treasury stock		(0)	(691)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(50)		
Reclassification from other components of equity to retained earnings					(482)	
Share remuneration transaction		92				
Other changes						
Total contributions by and distributions to owners of the Company	—	92	(691)	(50)	(482)	—
Balance as of December 31, 2018	160,339	146,605	(865)	6,105	99,621	(4,230)

(In Millions of Yen)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company		
	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of April 1, 2017	—	132,682	111,149	550,513	27,457	577,970
Profit for the period			44,769	44,769	3,856	48,625
Other comprehensive income	(428)	17,883		17,883	269	18,152
Total comprehensive income for the period	(428)	17,883	44,769	62,653	4,125	66,778
Purchase of treasury stock				(3)		(3)
Dividends			(11,258)	(11,258)	(1,029)	(12,288)
Change in ownership interests in subsidiaries without loss/acquisition of control		(8)	5	(3)	(31)	(34)
Reclassification from other components of equity to retained earnings	428	(1,038)	1,038	—		—
Other changes			(16)	(16)	2,805	2,788
Total contributions by and distributions to owners of the Company	428	(1,047)	(10,231)	(11,282)	1,744	(9,537)
Balance as of December 31, 2017	—	149,517	145,687	601,884	33,327	635,211

Balance as of April 1, 2018	—	124,348	155,437	586,464	38,659	625,124
Impact of change in accounting policies			(444)	(444)		(444)
Balance as of April 1, 2018 (Revised)	—	124,348	154,993	586,020	38,659	624,679
Profit for the period			53,711	53,711	3,911	57,623
Other comprehensive income	(132)	(22,452)		(22,452)	(741)	(23,193)
Total comprehensive income for the period	(132)	(22,452)	53,711	31,259	3,170	34,429
Purchase of treasury stock				(691)		(691)
Dividends			(16,888)	(16,888)	(1,919)	(18,808)
Change in ownership interests in subsidiaries without loss/acquisition of control		(50)	(54)	(104)	1,939	1,834
Reclassification from other components of equity to retained earnings	132	(349)	349	—		—
Share remuneration transaction				92		92
Other changes			(1,214)	(1,214)	1,165	(49)
Total contributions by and distributions to owners of the Company	132	(399)	(17,807)	(18,805)	1,184	(17,621)
Balance as of December 31, 2018	—	101,496	190,897	598,473	43,014	641,487

(5) Consolidated Statements of Cash Flows

(In millions of Yen)

	FY 2017 9-month (From April 1, 2017 to December 31, 2017)	FY 2018 9-month (From April 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit for the period	48,625	57,623
Depreciation and amortization	16,251	15,941
Impairment loss of fixed assets	195	507
Finance (income) costs	3,310	2,401
Share of (profit)loss of investments accounted for using the equity method	(17,059)	(18,749)
(Gain) loss on sale of fixed assets, net	143	(955)
Income tax expenses	12,212	16,602
(Increase)decrease in trade and other receivables	(38,436)	38,627
(Increase)decrease in inventories	(120,708)	(27,091)
Increase (decrease) in trade and other payables	75,750	(74,593)
Changes in other assets and liabilities	(38,457)	16,894
Increase (decrease) in retirement benefits liabilities	462	(80)
Others	533	(1,244)
Subtotal	(57,175)	25,884
Interests earned	3,264	3,824
Dividends received	14,985	19,550
Interests paid	(10,710)	(11,533)
Income taxes paid	(13,029)	(20,785)
Net cash provided (used) by/in operating activities	(62,665)	16,940
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,079)	(20,947)
Proceeds from sale of property, plant and equipment	590	4,774
Purchase of intangible assets	(2,310)	(3,305)
(Increase)decrease in short-term loans receivable	1,853	284
Payment for long-term loans receivable	(30,333)	(2,072)
Collection of long-term loans receivable	1,310	5,037
Proceeds from (payments for) acquisition of subsidiaries	(20,203)	(3,794)
Proceeds from (payments for) sale of subsidiaries	225	1,498
Purchase of investments	(23,061)	(29,504)
Proceeds from sale of investments	7,491	15,507
Others	(5,461)	72
Net cash provided (used) by/in investing activities	(90,976)	(32,450)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	80,934	66,270
Proceeds from long-term borrowings	150,252	56,766
Repayment of long-term borrowings	(74,493)	(108,646)
Proceeds from issuance of bonds	9,940	—
Redemption of bonds	(10,030)	(30)
Payment for acquisition of subsidiary's interests from non-controlling interests	—	(1,195)
Proceeds from non-controlling interest holders	2,623	2,861
Purchase of treasury stock	(3)	(691)
Dividends paid	(11,258)	(16,888)
Dividends paid to non-controlling interest holders	(1,029)	(1,919)
Others	(1,014)	(1,438)
Net cash provided (used) by/in financing activities	145,919	(4,911)
Net increase (decrease) in cash and cash equivalents	(7,722)	(20,421)
Cash and cash equivalents at the beginning of the year	308,632	305,241
Effect of exchange rate changes on cash and cash equivalents	2,052	446
Cash and cash equivalents at the end of the period	302,962	285,266

(6) Changes in Accounting Policies Based on Requirements of International Financial Reporting Standards

With the exception of the following policies, the accounting policies applied to the consolidated financial statements for the nine-month period ended December 31, 2018, are the same as those applied to consolidated financial statements for the year ended March 31, 2018.

Effective April 1, 2018, the Company has applied the following mandatory standards.

Standard	Name	New / revised policies
IFRS 15	Revenue from Contracts with Customers	Revision of accounting treatment and disclosure method pertaining to recognition of revenue
IFRS 9	Financial Instruments (2014 version)	Revision to methods of classifying and measuring financial instruments, revision to hedge accounting methods, and revision to provisions for impairment of financial assets based on expected credit loss model

1) IFRS 15—Revenue from Contracts with Customers
Effective April 1, 2018, the Company applied IFRS 15—Revenue from Contracts with Customers. As a transitional measure for the application of this standard, the standard has been applied retroactively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect amount of this retroactive application.

In conjunction with the application of IFRS 15—Revenue from Contracts with Customers, the Company has adopted an approach of recognizing the amount of profit to which the Company is expected to be entitled due to the transfer of goods or services to customers based on the following five-step model.

Step 1. Identify the contract(s) with a customer
Step 2. Identify the performance obligations in the contract
Step 3. Determine the transaction price
Step 4. Allocate the transaction price to the performance obligations in the contract
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15—Revenue from Contracts, the Company will be viewed as the main transacting entity if the goods or services to be provided to the customer are in the Company's control prior to their provision and will be viewed as an agent if the goods or services are not in its control prior to provision.
Previously, the Company has recognized inventory assets for transactions for which the Company recognized profit at net value as an agent (agent transaction) in cases when the goods or services to be provided were temporarily in the legal possession of the Group. Under IFRS 15—Revenue from Contracts, however, the Group is judged not be in control of inventories during agent transactions, and said inventories are therefore recognized under trade and other receivables.
As a result of the application of this standard, inventories on the consolidated statements of financial position for the nine-month period ended December 31, 2018, were reduced by ¥169,300 million, and trade and other receivables were increased by the same amount. The impact of this change on revenue and other income items on the consolidated statements of profit or loss for the nine-month period ended December 31, 2018, was minimal.

2) IFRS 9—Financial Instruments (2014 version)
Effective April 1, 2018, the Company applied IFRS 9—Financial Instruments (2014 version). As a transitional measure for the application of this standard, the standard has been applied retroactively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect of this retroactive application. Some exceptions to this retroactive application do exist.
The application of IFRS 9—Financial Instruments (2014 version) did not have a material impact on the consolidated financial statements of the Company.

(a) Classifications of Financial Assets
Under the previously applied IFRS 9—Financial Instruments (2010 version), financial assets of a liability nature were classified as either financial assets measured at amortized cost or financial assets measured at fair value through profit or loss. In IFRS 9—Financial Instruments (2014 version), a new classification for financial assets of a liability nature was created: financial assets measured at fair value through other comprehensive income. When the following conditions are fulfilled, the Company will classify financial assets of a liability nature as financial assets measured at fair value through other comprehensive income.

・When the financial asset is held for a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
・When the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Judgements regarding business models were made based on the status of businesses and the circumstances surrounding these businesses as of the date of application.

(b) Impairment of Financial Assets
Previously, impairment of financial assets was performed based on the loss model described in IAS 39—Financial Instruments: Recognition and Measurement. In conjunction with the application of IFRS 9—Financial Instruments (2014 version), impairment will be recognized based on an expected credit loss model. The expected credit loss model will be applied to financial assets measured at amortized cost.

(c) Hedge Accounting
Previously, hedge accounting was performed in accordance with IAS 39—Financial Instruments: Recognition and Measurement. With the application of IFRS 9—Financial Instruments (2014 version), hedge accounting will be performed based on the new general hedge accounting model. The new general hedge accounting model requires that the hedging relationship be integrated with the risk management objective and strategy for undertaking the hedge. In addition, an approach to evaluating hedging effectiveness based on more qualitative projections is required. Hedging relationship designations assigned in accordance with IAS 39—Financial Instruments: Recognition and Measurement on March 31, 2018, were reevaluated as of the application date for IFRS 9—Financial Instruments

(2014 version). As these relationships were found to meet all of the requirements for hedge accounting, the hedging relationships are ongoing.

(7) Segment information

For the third quarter ended December 31, 2017 (April 1, 2017 – December 31, 2017)

(In Millions of Yen)

	Reportable segments						
	Automotive	Aerospace & Transportaion Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	137,897	26,558	83,805	80,974	245,413	385,973	118,363
Inter-segment revenue	1	1,002	132	1,403	ー	10	9
Total revenue	137,899	27,561	83,937	82,377	245,413	385,984	118,372
Segment profit (loss)	5,994	1,853	4,579	(2,324)	15,063	6,892	4,597

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	221,394	22,535	1,322,918	30,687	ー	1,353,606
Inter-segment revenue	46	306	2,913	237	(3,150)	ー
Total revenue	221,441	22,842	1,325,831	30,925	(3,150)	1,353,606
Segment profit (loss)	4,222	529	41,409	117	3,242	44,769

Reconciliation of segment profit of 3,242 million yen includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to 3,331 million yen, and unallocated dividend income and others of (89) million yen.

For the third quarter ended December 31, 2018 (April 1, 2018 – December 31, 2018)

(In Millions of Yen)

	Reportable segments						
	Automotive	Aerospace & Transportaion Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	185,690	20,785	75,743	51,286	300,604	382,601	101,304
Inter-segment revenue	ー	ー	99	1,397	ー	6	8
Total revenue	185,690	20,785	75,842	52,683	300,604	382,608	101,313
Segment profit (loss)	5,042	2,943	1,560	3,237	23,573	7,004	2,679

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	243,830	20,840	1,382,687	27,943	ー	1,410,630
Inter-segment revenue	41	266	1,819	221	(2,040)	ー
Total revenue	243,871	21,106	1,384,507	28,164	(2,040)	1,410,630
Segment profit (loss)	4,819	(161)	50,699	1,299	1,713	53,711

Reconciliation of segment profit of 1,713 million yen includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to (83) million yen, and unallocated dividend income and others of 1,796 million yen.

Changes in Reportable Segments

Effective April 1, 2018, the Aerospace & IT Business Division, the Infrastructure & Environment Business Division and Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division and the Energy & Social Infrastructure Division. The name of the Metals & Coal Division has been changed to the Metals & Mineral Resources Division. These reorganizations have resulted in changes to reportable segments. Segment information for the nine-month period ended December 31, 2017, has been restated to reflect these changes.