

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2019 (IFRS)

November 1, 2019
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 30, 2019, the impacts of the economic slowdown in China stemming from the trade friction between the United States and China began spreading throughout the global economy, with the impacts being particularly pronounced in emerging economies. Looking ahead, ongoing caution is warranted with regard to negotiations between the United States and China, the United Kingdom's withdrawal from the European Union, the situation in the Middle East, and the monetary policies of the United States.

The Company's revenue for the six-month period ended September 30, 2019, was down year on year due to lower revenue in the Chemicals Division, a result of lower transaction volumes of plastic resins and declines in the price of methanol, and in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses.

Profit for the period (attributable to owners of the Company) decreased year on year following lower gross profit along with a decline in the net of other income and expenses in reaction to the sale of automobile-related company in the previous equivalent period.

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

Revenue 893.8 billion yen ((48.0) billion yen / (5.1)%)

- Decrease in revenue in the Chemicals Division due to lower transaction volumes of plastic resins and declines in the price of methanol
- Decrease in revenue in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses

Gross profit 109.7 billion yen ((11.2) billion yen / (9.2)%)

- Decrease in gross profit in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses
- Decrease in gross profit in the Foods & Agriculture Business Division due to lower transaction volumes in overseas fertilizer businesses

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

29.5 billion yen ((7.6) billion yen / (20.5)%)

- Decrease in gross profit
- Decrease in other income due to the sale of automobile-related company in the six-month period ended September 30, 2018

(Reference)

- Effective April 1, 2019, the Company applied IFRS 16—Leases. Following the application of this standard, operating leases and all other lease agreements are, in principle, accounted for in the consolidated statements of financial position. Specific amounts are displayed separately in the consolidated statements of financial position contained as "Lease assets (usage rights assets)" and "Lease liabilities" (under current liabilities and non-current liabilities).

◆ Earnings forecast for the fiscal year ending March 31, 2020

Full-year earnings forecasts were revised as follows.

	FY2019 Initial Forecast	FY2019 Revised Forecast
		(November 1, 2019)

Gross profit 260.0 billion yen ⇒ 250.0 billion yen

Profit before tax 97.0 billion yen ⇒ 94.0 billion yen

Profit for the year 72.0 billion yen ⇒ 72.0 billion yen

(attributable to owners of the Company)

(Assumptions)

Exchange rate (annual average: ¥/US\$) : 110

◆ Cash dividends per share for the fiscal year ending March 31, 2020

Interim : 8.50 yen per share

Year-end : 8.50 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

	FY2019 1H			FY2018 1H		Reasons for the Difference	FY2019 Forecast c	Percentage Achieved a/c
	Results a	1Q Results	2Q Results	Results b	Difference a-b			
Revenue	893.8	437.4	456.4	941.8	(48.0)	Revenue: change in segment Chemicals (30.7) Metals & Mineral Resources (23.3) Machinery & Medical Infrastructure +10.0		
Gross profit	109.7	54.9	54.8	120.9	(11.2)	Gross profit: change in segment Metals & Mineral Resources (8.0) Foods & Agriculture Business (2.0) Machinery & Medical Infrastructure +1.1	250.0	44%
Selling, general and administrative expenses								
Personnel expenses	(48.4)	(24.3)	(24.1)	(48.1)	(0.3)			
Non-personnel expenses	(29.0)	(14.7)	(14.3)	(33.9)	4.9	Effect of application of new IFRS standard (Leases)		
Depreciation	(8.0)	(3.8)	(4.2)	(3.3)	(4.7)			
Provision of allowance for doubtful accounts	(0.2)	0.0	(0.2)	(0.3)	0.1			
(Total selling, general and administrative expenses)	(85.6)	(42.8)	(42.8)	(85.6)	0.0		(178.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	0.4	0.0	0.4	0.9	(0.5)			
Impairment loss on fixed assets	(0.5)	0.0	(0.5)	(0.1)	(0.4)	Sales of automobile-related company and solar power generation business company		
Gain on reorganization of subsidiaries/associates	0.8	0.0	0.8	8.0	(7.2)			
Loss on reorganization of subsidiaries/associates	(0.2)	0.0	(0.2)	(2.4)	2.2			
Other operating income/expenses	(0.4)	(0.2)	(0.2)	(0.8)	0.4			
(Total other income/expenses)	0.1	(0.2)	0.3	5.6	(5.5)		0.0	
Financial income/costs								
Interest earned	3.7	1.8	1.9	3.6	0.1			
Interest expenses	(7.7)	(3.9)	(3.8)	(7.8)	0.1			
(Interest expenses, net)	(4.0)	(2.1)	(1.9)	(4.2)	0.2			
Dividends received	2.0	1.6	0.4	2.6	(0.6)			
Other financial income/costs	(0.1)	(0.1)	0.0	0.3	(0.4)			
(Financial income/costs, net)	(2.1)	(0.6)	(1.5)	(1.3)	(0.8)		(6.0)	
Share of profit (loss) of investments accounted for using the equity method	13.2	6.8	6.4	11.9	1.3		28.0	
Profit before tax	35.3	18.1	17.2	51.5	(16.2)		94.0	38%
Income tax expenses	(3.7)	(2.7)	(1.0)	(11.5)	7.8		(18.0)	
Profit for the period (Profit attributable to)	31.6	15.4	16.2	40.0	(8.4)		76.0	42%
Owners of the Company	29.5	14.3	15.2	37.1	(7.6)		72.0	41%
Non-controlling interests	2.1	1.1	1.0	2.9	(0.8)		4.0	
Core earnings*1	35.5	18.4	17.1	45.9	(10.4)		94.0	

Comprehensive Income

	FY2019 1H			FY2018 1H	
	Results a	1Q Results	2Q Results	Results b	Difference a-b
Profit for the period	31.6	15.4	16.2	40.0	(8.4)
Other comprehensive income	(36.9)	(17.0)	(19.9)	2.6	(39.5)
Total comprehensive income for the period	(5.3)	(1.6)	(3.7)	42.6	(47.9)
Comprehensive income attributable to:					
Owners of the Company	(6.6)	(2.4)	(4.2)	39.5	(46.1)
Non-controlling interests	1.3	0.8	0.5	3.1	(1.8)

Cash Flows

	FY2019 1H			FY2018 1H		Factors Affecting Circled Figures
	Results a	Results b	Difference a-b	Results	Difference a-b	
Cash flows from operating activities	61.4	51.7	9.7			Income from business earnings and reductions in working capital
Cash flows from investing activities	(21.3)	(25.8)	4.5			Outflows for investment in offshore wind power generation business in Taiwan and auto self-financing operations
Free cash flows	40.1	25.9	14.2			
Cash flows from financing activities	(26.7)	(27.8)	1.1			Outflows due to dividends paid and redemption bonds
Core operating cash flow*2	44.6	39.7	4.9			
Core cash flow*3	8.6	23.2	(14.6)			

Consolidated Statements of Financial Position

	Sep. 30, 2019			Mar. 31, 2019		Reasons for the Difference
	2019 d	2019 e	Difference d-e	2019	Difference	
Current assets	1,250.4	1,267.7	(17.3)			
Cash and cash equivalents	296.6	285.7	10.9			
Time deposits	5.9	2.9	3.0			
Trade and other receivables	664.8	690.7	(25.9)			Decrease in chemicals
Inventories	213.3	220.6	(7.3)			
Other current assets	69.8	67.8	2.0			
Non-current assets	1,070.8	1,029.4	41.4			
Property, plant and equipment	182.9	192.9	(10.0)			
Lease assets (usage rights assets)	77.8	-	77.8			Increase due to application of new IFRS standard (Leases)
Goodwill	65.3	66.2	(0.9)			
Intangible assets	49.1	49.1	0.0			
Investment property	19.7	20.9	(1.2)			
Investments accounted for using the equity method	574.7	597.3	(22.6)			
Other non-current assets	101.3	103.0	(1.7)			
Total assets	2,321.2	2,297.1	24.1			
Current liabilities	809.0	807.2	1.8			
Trade and other payables	562.2	582.4	(20.2)			Decrease in chemicals
Lease liabilities	15.2	-	15.2			Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	156.1	149.7	6.4			
Other current liabilities	75.5	75.1	0.4			
Non-current liabilities	872.1	828.4	43.7			
Lease liabilities	67.5	-	67.5			Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	708.9	723.6	(14.7)			
Retirement benefits liabilities	22.0	22.1	(0.1)			
Other non-current liabilities	73.7	82.7	(9.0)			
Total liabilities	1,681.1	1,635.6	45.5			
Share capital	160.3	160.3	-			
Capital surplus	146.7	146.6	0.1			
Treasury stock	(0.8)	(0.9)	0.1			
Other components of equity	71.9	107.6	(35.7)			Decrease due to change in foreign exchange rates and stock prices
Retained earnings	219.1	204.6	14.5			Profit for the period +29.5
Total equity attributable to owners of the Company	597.2	618.2	(21.0)			Dividends (11.9)
Non-controlling interests	42.9	43.3	(0.4)			
Total equity	640.1	661.5	(21.4)			
Total liabilities and equity	2,321.2	2,297.1	24.1			

Gross interest-bearing debt*	865.0	873.3	(8.3)
Net interest-bearing debt*	562.5	584.7	(22.2)
Net debt/equity ratio (times)**	0.94	0.95	(0.01)
Equity ratio**	25.7%	26.9%	(1.2)ppt
Current ratio	154.6%	157.1%	(2.5)ppt
Long-term debt ratio	82.0%	82.9%	(0.9)ppt

* Lease liabilities (under current liabilities and non-current liabilities) have been excluded from calculations of gross interest-bearing debt and net interest-bearing debt.

** "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."

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2019 (IFRS) – Supplementary Materials

November 1, 2019
Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results

	FY2019 1H Results	FY2018 1H Results	Difference	FY2019 Revised Forecast (Nov. 1, 2019)	Percentage Achieved
Revenue	893.8	941.8	(48.0)	—	—
Gross profit	109.7	120.9	(11.2)	250.0	44%
Selling, general and administrative expenses	(85.6)	(85.6)	0.0	(178.0)	
Other income/expenses	0.1	5.6	(5.5)	0.0	
Financial income/costs	(2.1)	(1.3)	(0.8)	(6.0)	
Share of profit (loss) of investments accounted for using the equity method	13.2	11.9	+1.3	28.0	
Profit before tax	35.3	51.5	(16.2)	94.0	38%
Profit for the period (Profit attributable to)	31.6	40.0	(8.4)	76.0	42%
Owners of the Company	29.5	37.1	(7.6)	72.0	41%
Non-controlling interests	2.1	2.9	(0.8)	4.0	
Core earnings*1	35.5	45.9	(10.4)	94.0	
Comprehensive income attributable to owners of the Company	(6.6)	39.5	(46.1)		

*1 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

(Billions of yen)

Financial Position

	Sep. 30, 2019	Mar. 31, 2019	Difference	Mar. 31, 2020 Revised Forecast (Nov. 1, 2019)
Total assets	2,321.2	2,297.1	+24.1	2,350.0
Total equity*2	597.2	618.2	(21.0)	620.0
Equity ratio	25.7%	26.9%	(1.2)ppt	26.4%
Net interest-bearing debt*3	562.5	584.7	(22.2)	640.0
Net D/E ratio (times)	0.94	0.95	(0.01)	1.0
Risk assets	360.0	360.0	0.0	—
Ratio of risk assets to equity (times)	0.6	0.6	0.0	—

*2 "Total equity" above refers to "Total equity attributable to owners of the Company" and is used as the denominator when calculating "Net D/E ratio" and the numerator when calculating "Equity ratio."

*3 Lease liabilities (under current liabilities and non-current liabilities) have been excluded from calculations of net interest-bearing debt.

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Segment Performance [Gross Profit]

	FY2019 1H	FY2018 1H	Difference	FY2019 Revised Forecast	FY2019 Initial Forecast
Automotive	20.9	20.7	+0.2	51.0	51.0
Aerospace & Transportation Project	6.6	7.1	(0.5)	18.0	18.0
Machinery & Medical Infrastructure	6.9	5.8	+1.1	16.0	16.0
Energy & Social Infrastructure	10.0	8.9	+1.1	20.0	20.0
Metals & Mineral Resources	11.8	19.8	(8.0)	28.0	33.0
Chemicals	22.4	23.6	(1.2)	48.0	48.0
Foods & Agriculture Business	8.2	10.2	(2.0)	15.0	20.0
Retail & Lifestyle Business	18.1	19.4	(1.3)	42.0	42.0
Industrial Infrastructure & Urban Development	2.8	2.9	(0.1)	7.0	7.0
Other	2.0	2.5	(0.5)	5.0	5.0

Segment Performance [Profit for the Period (Attributable to Owners of the Company)]

	FY2019 1H	FY2018 1H	Difference	Main Factors Behind Difference	FY2019 Revised Forecast	FY2019 Initial Forecast	Progress Overview	(Reference) FY2018 Results
Automotive	1.5	3.6	(2.1)	Decreased due to the sale of automobile-related company in the previous equivalent period	5.5	5.5	Revision of costs and various sales efforts by overseas automobile-related companies	6.4
Aerospace & Transportation Project	0.6	1.9	(1.3)	Decreased in reaction to aircraft sales recorded in the previous equivalent period	5.0	5.0	Earnings contributions anticipated from aerospace-related business and railway projects	4.0
Machinery & Medical Infrastructure	1.5	0.7	+0.8	Increased due to higher returns from medical infrastructure business and industrial machinery transactions	4.5	4.5	Earnings accumulation anticipated in industrial machinery and medical infrastructure-related business	2.8
Energy & Social Infrastructure	3.4	2.7	+0.7	Increased due to commencement of operations at domestic and overseas power generation projects and sales of oil interests	8.0	5.5	Continuous earnings accumulation anticipated from domestic and overseas power generation businesses and from subsidiaries/associates in the second half of the fiscal year	5.8
Metals & Mineral Resources	9.8	16.2	(6.4)	Decreased due to fall in sales prices in overseas coal business	23.5	25.0	Downward revision to forecasts in reflection of recent coal and other resource prices, need for ongoing monitoring of resource prices and steel demand	30.5
Chemicals	4.8	4.8	0.0	Despite impacted as a result of declines in the price of methanol, unchanged year on year due to benefits of reduced SG&A expenses	11.0	11.0	Performance generally as forecast	9.0
Foods & Agriculture Business	1.2	2.1	(0.9)	Decreased due to impairment loss on domestic marine products business and lower sales volumes stemming from unseasonable weather as well as sales price controls in overseas fertilizer businesses	2.0	4.5	Downward revision to forecasts in reflection of impairment loss in first half and sluggish demand in overseas fertilizer businesses	2.3
Retail & Lifestyle Business	2.8	3.3	(0.5)	Decreased due to the drop in transaction price of imported plywood that began at the beginning of the year and lower profit margins for meat transactions	7.5	7.5	Performance generally as forecast	5.7
Industrial Infrastructure & Urban Development	0.6	(0.1)	+0.7	Increased due to higher number of overseas industrial parks delivered	1.0	1.0	Performance generally as forecast	1.1
Other	3.3	1.9	+1.4		4.0	2.5		2.8
Total	29.5	37.1	(7.6)		72.0	72.0		70.4

Total	109.7	120.9	(11.2)	250.0	260.0	29.5	37.1	(7.6)	72.0	72.0	70.4
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Commodity Prices and Exchange Rates

	FY2018 Results (Apr.-Sep. '18 Avg.)	FY2019 Assumption (Annual Avg.)	FY2019 Results (Apr.-Sep. '19 Avg.)	Latest Data (as of October 28, 2019)
Crude oil (Brent)	US\$75.4/bbl	US\$60.0/bbl	US\$65.2/bbl	US\$61.6/bbl
Thermal coal**1	US\$111.5/t	US\$80.0/t	US\$73.9/t	US\$70.1/t
Coking coal**1	US\$190.4/t	US\$180.0/t (1H) US\$170.0/t (2H)	US\$180.8/t	US\$149.0/t
Exchange rate**2	¥110.7/US\$	¥110.0/US\$	¥108.7/US\$	¥108.8/US\$

**1 Coal prices are based on standard market prices (globalCOAL NEWC Index for thermal coal and S&P Global Platts Coal Trader International for coking coal) and therefore differ from the Company's selling prices.

**2 Impact of fluctuations in the exchange rate on earnings: ¥1/US\$ change alters gross profit by approx. ¥0.5billion annually, profit for the year (attributable to owners of the Company) by approx. ¥0.25billion annually, and total equity by approx. ¥2.0billion annually.