

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

November 1, 2019

Sojitz Corporation

(URL: <https://www.sojitz.com>)

Listed stock exchange: The first section of Tokyo

Security code: 2768

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Scheduled filing date of quarterly financial report: November 13, 2019

Scheduled date of delivery of dividends: December 2, 2019

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 First Half Ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the first half ended										
September 30, 2019	893,832	(5.1)	35,259	(31.5)	31,643	(20.9)	29,517	(20.5)	(5,264)	-
September 30, 2018	941,783	6.5	51,500	35.8	39,999	32.1	37,147	36.4	42,590	15.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the first half ended		
September 30, 2019	23.63	23.63
September 30, 2018	29.71	29.71

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
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of				
September 30, 2019	2,321,180	640,063	597,211	25.7
March 31, 2019	2,297,059	661,607	618,295	26.9

2. Cash Dividends

	Cash dividend per share				
	First quarter	Second quarter	Third quarter	Year end	Annual
For the year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2019	-	7.50	-	9.50	17.00
March 31, 2020	-	8.50	-	-	-
March 31, 2020 (forecast)	-	-	-	8.50	17.00

Note : Changes in cash dividend forecast : No

3. Consolidated Earnings Forecast for the Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

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
	Millions of Yen	%	Yen
For the Year Ending			
March 31, 2020			
Full-year	72,000	2.2	57.60

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 September 30, 2019: 1,251,499,501 As of March 31, 2019: 1,251,499,501

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

As of September 30, 2019 : 2,202,300 As of March 31, 2019 : 2,260,444

3. Average number of outstanding shares during the periods:

For the first half ended September 30, 2019 (accumulative): 1,249,264,273

For the first half ended September 30, 2018 (accumulative): 1,250,450,713

Note: 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 shares of the Company's stock, which are treated as treasury shares; 1,667,211 stocks in the first half ended September 30, 2019 and 1,727,600 stocks in the financial year ended March 2019.

* 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 Six-Month Period Ended September 30, 2019

Economic Environment

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.

In the United States, although the economy was supported by strong consumer spending, the U.S. Federal Reserve Board lowered the policy interest rate by 0.25 percentage point in both July and September 2019 as a precautionary measure. Uncertainty is mounting in the United States with regard to President Trump's tariff negotiations with China and the issues in the Middle East, specifically those involving Iran and Turkey, as the country approaches the 2020 presidential election. Accordingly, there will be a need to monitor trends in the negotiations between the United States and China and in the previously strong performance of U.S. companies.

Looking at Europe, uncertainty arising from economic slowdown in China and other areas outside of the region as well as from trade negotiations with the United States are leading to sluggish conditions centered on countries highly dependent on exports, namely Germany and Italy. There were also signs of deterioration in the previously brisk consumer spending trends. It is thus imperative for the Company to continue tracking movements related to the United Kingdom's withdrawal from the European Union and to the European Central Bank, which is focused on economic measures.

Economic growth has been slowing in China due to the push to cut back on excessive debt and production capacity. Many factors warrant caution with regard to the Chinese economy. These factors include governments measures for stabilizing the economy as well as the potential economic impacts of the trade friction between the United States and China and the clashes between the government of Hong Kong and protestors advocating the freedom of Hong Kong following the extradition of a criminal from the country.

In other parts of Asia, private-sector consumption remains strong. However, the economic slowdown in China is leading to sluggish foreign demand. It is also possible that the policy interest rate reductions in the United States may prompt countries in this region to once again begin a race to devalue their currency in order to maintain export competitiveness, a trend that will need to be monitored going forward.

Consumer spending remained firm in Japan. The negative effects of the consumption tax hike implemented in October 2019 are expected to be limited due to the benefits of government measures like selective lower tax rates. However, caution is needed with regard to the impacts of the trade friction between the United States and China and economic slowdown in China .

Financial Performance

Sojitz Corporation's consolidated business results for the second quarter ended September 30, 2019 are presented below.

Revenue	Revenue was down 5.1% year on year, to ¥893,832 million, due to lower revenue in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and in the price of methanol, and in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses.
Gross profit	Gross profit decreased ¥11,156 million year on year, to ¥109,737 million, due to lower gross profit in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses, and in the Foods & Agriculture Business Division, a result of lower transactions volumes in overseas fertilizer businesses.
Profit before tax	Profit before tax decreased ¥16,241 million year on year, to ¥35,259 million, as a result of lower gross profit along with a decline in the net of other income and expenses associated with the sale of automobile-related company in the previous equivalent period.
Profit for the period	After deducting income tax expenses of ¥3,616 million from profit before tax of ¥35,259 million, profit for the period amounted to ¥31,643 million, down ¥8,356 million year on year. Profit for the period (attributable to owners of the Company) decreased ¥7,630 million year on year, to ¥29,517 million.
Comprehensive income for the period	Comprehensive loss for the period of ¥5,264 million was recorded, compared with comprehensive income for the period of ¥42,590 million in the previous equivalent period, following a decline in financial assets at fair value through foreign currency translation differences for foreign operations and other comprehensive income along with lower profit for the period. Comprehensive loss for the period (attributable to owners of the Company) of ¥6,595 million was recorded, compared with comprehensive income for the period of ¥39,517 million in the previous equivalent period.

Results for the six-month period ended September 30, 2019, are summarized by segment below.

Automotive

Revenue was up 2.0% year on year, to ¥117,706 million, as a result of higher sales volumes in automobile distributor businesses in Southeast Asia and of the acquisition of domestic and overseas automobile distributor businesses. Profit for the period (attributable to owners of the Company) decreased ¥2,106 million, to ¥1,525 million, following a decline in the net of other income and expenses in reaction to the sale of automobile-related company in the previous equivalent period.

Aerospace & Transportation Project

Revenue was up 26.8% year on year, to ¥17,747 million, as a result of higher income in aircraft transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,290 million, to ¥599 million, due to a decline in other income stemming from the absence of gains on sales of aircraft held for leasing purposes recorded in the previous equivalent period.

Machinery & Medical Infrastructure

Revenue was up 21.4% year on year, to ¥56,593 million, as a result of an increase in industrial machinery transactions. Profit for the period (attributable to owners of the Company) rose ¥802 million, to 1,456 million, due to higher gross profit and an increase in share of profit of investments accounted for using the equity method.

Energy & Social Infrastructure

Revenue was up 2.3% year on year, to ¥34,464 million, as a result of an increase in income from overseas gas-fired power generation businesses.

Profit for the period (attributable to owners of the Company) rose ¥783 million, to ¥3,444 million, as an increase in share of profit of investments accounted for using the equity method counteracted the impacts of a decline in other income due to the sale of an overseas solar power generation business company in the previous equivalent period.

Metals & Mineral Resources

Revenue was down 11.1% year on year, to ¥187,360 million, as a result of fall in sales prices in overseas coal businesses. Profit for the period (attributable to owners of the Company) decreased ¥6,424 million, to ¥9,816 million, as a result of a decline in gross profit.

Chemicals

Revenue was down 11.9% year on year, to ¥226,713 million, as a result of declines in the price of methanol and lower transaction volumes of plastic resins. Profit for the period (attributable to owners of the Company) decreased ¥41 million, to ¥4,766 million.

Foods & Agriculture Business

Revenue was down 7.1% year on year, to ¥65,625 million, following lower transactions volumes in overseas fertilizer businesses. Profit for the period (attributable to owners of the Company) decreased ¥896 million, to ¥1,197 million, as a result of a decline in gross profit and impairment loss of fixed assets on domestic marine products business.

Retail & Lifestyle Business

Revenue was down 3.5% year on year, at ¥155,070 million, as the increase in revenue attributable to the acquisition of an overseas paper manufacturer was counterbalanced by a decline in textile transactions. Profit for the period (attributable to owners of the Company) decreased ¥547 million, to ¥2,779 million due to lower gross profit.

Industrial Infrastructure & Urban Development

Revenue was up 23.0% year on year, to ¥17,392 million, because of an increase in real estate transactions. Profit for the period (attributable to owners of the Company) increased ¥695 million, to ¥584 million, as a result of an increase in share of profit of investments accounted for using the equity method.

(2) Financial Position

Total assets on September 30, 2019, stood at ¥2,321,180 million, up ¥24,121 million from March 31, 2019. This increase was primarily a result of an increase in usage right assets stemming from the application of IFRS 16—Leases.

Total liabilities at September 30, 2019, amounted to ¥1,681,117 million, up ¥45,666 million from March 31, 2019, due to an increase in lease liabilities following the application of IFRS 16—Leases.

Total equity attributable to owners of the Company was ¥597,211 million on September 30, 2019, down ¥21,084 million from March 31, 2019. This decline was largely due to a decrease in other components of equity resulted primarily from foreign exchange rate fluctuations and stock price, which offset the

accumulation of profit for the period (attributable to owners of the Company).

Consequently, on September 30, 2019, the current ratio was 154.6%, the long-term debt ratio was 82.0%, and the equity ratio* was 25.7%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥562,458 million on September 30, 2019, ¥22,253 million decrease from March 31, 2019. This resulted in the Company's net debt equity ratio* equaling 0.94 times at September 30, 2019. Lease liabilities have been excluded from aforementioned total interest-bearing debt.

(*) 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, the Sojitz Group continues to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz endeavors 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 six-month period ended September 30, 2019. 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\$1.6 billion (of which US\$0.29 billion has been used).

Consolidated Cash Flows

In the six-month period ended September 30, 2019, operating activities provided net cash flow of ¥61,386 million, investing activities used net cash of ¥21,334 million, and financing activities provided net cash of ¥26,699 million. Sojitz ended the period with cash and cash equivalents of ¥296,606 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 in the six-month period ended September 30, 2019, was ¥61,386 million, an increase of ¥9,691 million year on year. Major factors increasing cash included business earnings, dividends received, and a decrease in working capital.

(Cash flows from investing activities)

Net cash used in investing activities in the six-month period ended September 30, 2019, was ¥21,334 million, down ¥4,436 million year on year, mainly as a result of the acquisition of auto self-financing business, offshore wind power generation business in Taiwan, and gas-fired power generation businesses.

(Cash flows from financing activities)

Net cash used in financing activities in the six-month period ended September 30, 2019, was ¥26,699 million, down ¥1,083 million year on year. This outflow was primarily results of dividends paid and redemption of bonds.

(3) Consolidated Earnings Forecast

Current forecast for fiscal year 2019 is as follow.

Profit for the year (Attributable to owners of the Company)	¥72.0 billion
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The above forecast assumes a yen/dollar rate of ¥110/US\$.

***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 2018 (As of March 31, 2019)	FY 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and cash equivalent	285,687	296,606
Time deposits	2,922	5,904
Trade and other receivables	690,678	664,823
Derivatives	2,060	2,453
Inventories	220,621	213,262
Income tax receivables	6,714	3,473
Other current assets	58,965	62,410
Subtotal	1,267,650	1,248,936
Assets as held for sale	—	1,450
Total current assets	1,267,650	1,250,386
Non-current assets		
Property, plant and equipment	192,902	182,938
Usage rights assets	—	77,776
Goodwill	66,198	65,295
Intangible assets	49,145	49,098
Investment property	20,875	19,685
Investments accounted for using the equity method	424,152	416,106
Trade and other receivables	84,145	83,240
Other investments	173,066	158,623
Derivatives	46	16
Other non-current assets	12,683	11,328
Deferred tax assets	6,192	6,683
Total non-current assets	1,029,409	1,070,793
Total assets	2,297,059	2,321,180
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	582,296	562,174
Lease liabilities	—	15,174
Bonds and borrowings	149,695	156,102
Derivatives	2,511	4,455
Income tax payables	10,775	4,762
Provisions	1,026	1,530
Other current liabilities	60,793	64,813
Total current liabilities	807,098	809,012
Non-current liabilities		
Lease liabilities	—	67,493
Bonds and borrowings	723,625	708,866
Trade and other payables	12,563	10,682
Derivatives	2,693	2,869
Retirement benefits liabilities	22,139	21,994
Provisions	36,292	35,114
Other non-current liabilities	11,235	8,949
Deferred tax liabilities	19,802	16,135
Total non-current liabilities	828,353	872,104
Total liabilities	1,635,451	1,681,117
Equity		
Share capital	160,339	160,339
Capital surplus	146,645	146,698
Treasury stock	(865)	(842)
Other components of equity	107,576	71,945
Retained earnings	204,600	219,070
Total equity attributable to owners of the Company	618,295	597,211
Non-controlling interests	43,312	42,851
Total equity	661,607	640,063
Total liabilities and equity	2,297,059	2,321,180

(2) Consolidated Statements of Profit or Loss

(In millions of Yen)

	For the 1st Half Ended September 30, 2018 (From April 1, 2018 To September 30, 2018)	For the 1st Half Ended September 30, 2019 (From April 1, 2019 To September 30, 2019)
Revenue		
Sale of goods	889,268	844,638
Sales of service and others	52,515	49,194
Total revenue	941,783	893,832
Cost of sales	(820,889)	(784,095)
Gross profit	120,893	109,737
Selling, general and administrative expenses	(85,644)	(85,620)
Other income(expenses)		
Gain(loss) on sale and disposal of fixed assets, net	856	392
Impairment loss on fixed assets	(65)	(492)
Gain on reorganization of subsidiaries/associates	8,006	829
Loss on reorganization of subsidiaries/associates	(2,401)	(207)
Other operating income	2,816	2,671
Other operating expenses	(3,522)	(3,185)
Total other income/expenses	5,689	7
Financial income		
Interests earned	3,605	3,687
Dividends received	2,631	2,014
Other financial income	217	—
Total financial income	6,454	5,701
Financial costs		
Interest expenses	(7,783)	(7,683)
Other financial costs	—	(97)
Total financial cost	(7,783)	(7,781)
Share of profit(loss) of investments accounted for using the equity method	11,890	13,215
Profit before tax	51,500	35,259
Income tax expenses	(11,501)	(3,616)
Profit for the period	39,999	31,643
Profit attributable to:		
Owners of the Company	37,147	29,157
Non-controlling interests	2,851	2,125
Total	39,999	31,643

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

(In millions of Yen)

	For the 1st Half Ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the 1st Half Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Profit for the period	39,999	31,643
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,399	(7,453)
Remeasurements of defined benefit pension plans	(128)	163
Share of other comprehensive income of investments accounted for using the equity method	6,513	(8,041)
Total items that will not be reclassified to profit or loss	7,784	(15,331)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(957)	(14,162)
Cash flow hedges	(567)	(1,207)
Share of other comprehensive income of investments accounted for using the equity method	(3,667)	(6,207)
Total items that may be reclassified subsequently to profit or loss	(5,193)	(21,576)
Other comprehensive income for the year, net of tax	2,591	(36,907)
Total comprehensive income for the period	42,590	(5,264)
Total comprehensive income for the period attributable to:		
Owners of the Company	39,517	(6,595)
Non-controlling interests	3,072	1,330
Total	42,590	(5,264)

(4) Consolidated Statements of Changes in Equity

(In millions of Yen)

	Attributable to owners of the Company					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				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, 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				(5,350)	7,871	(35)
Total comprehensive income for the period	—	—	—	(5,350)	7,871	(35)
Purchase of treasury stock		(0)	(690)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control						
Reclassification from other components of equity to retained earnings					(519)	
Share remuneration transactions		51				
Other changes						
Total contributions by and distributions to owners of the Company	—	51	(690)	—	(519)	—
Balance as of September 30, 2018	160,339	146,564	(864)	12,358	118,424	(4,468)

Balance as of April 1, 2019	160,339	146,645	(865)	4,861	107,226	(4,512)
Impact of change in accounting policies						
Balance as of April 1, 2019 (Revised)	160,339	146,645	(865)	4,861	107,226	(4,512)
Profit for the period						
Other comprehensive income				(18,833)	(15,511)	(1,964)
Total comprehensive income for the period	—	—	—	(18,833)	(15,511)	(1,964)
Purchase of treasury stock		(0)	(0)			
Disposal of treasury stock		(24)	24			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				0		0
Reclassification from other components of equity to retained earnings					678	
Share remuneration transactions		76				
Other changes						
Total contributions by and distributions to owners of the Company	—	52	23	0	678	0
Balance as of September 30, 2019	160,339	146,698	(842)	(13,971)	92,393	(6,476)

(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, 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			37,147	37,147	2,851	39,999
Other comprehensive income	(114)	2,370		2,370	221	2,591
Total comprehensive income for the period	(114)	2,370	37,147	39,517	3,072	42,590
Purchase of treasury stock				(690)		(690)
Dividends			(7,505)	(7,505)	(1,648)	(9,153)
Change in ownership interests in subsidiaries without loss/acquisition of control			18	18	2,249	2,268
Reclassification from other components of equity to retained earnings	114	(404)	404	—		—
Share remuneration transactions				51		51
Other changes			(1,115)	(1,115)	1,313	198
Total contributions by and distributions to owners of the Company	114	(404)	(8,198)	(9,242)	1,915	(7,326)
Balance as of September 30, 2018	—	126,314	183,942	616,295	43,647	659,943

Balance as of April 1, 2019	—	107,576	204,600	618,295	43,312	661,607
Impact of change in accounting policies			(2,402)	(2,402)		(2,402)
Balance as of April 1, 2019 (Revised)	—	107,576	202,197	615,892	43,312	659,205
Profit for the period			29,517	29,517	2,125	31,643
Other comprehensive income	196	(36,113)		(36,113)	(794)	(36,907)
Total comprehensive income for the period	196	(36,113)	29,517	(6,595)	1,330	(5,264)
Purchase of treasury stock				(0)		(0)
Disposal of treasury stock				—		—
Dividends			(11,884)	(11,884)	(2,960)	(14,845)
Change in ownership interests in subsidiaries without loss/acquisition of control		0	(376)	(375)	694	319
Reclassification from other components of equity to retained earnings	(196)	481	(481)	—		—
Share remuneration transactions				76		76
Other changes			97	97	474	572
Total contributions by and distributions to owners of the Company	(196)	482	(12,644)	(12,085)	(1,792)	(13,877)
Balance as of September 30, 2019	—	71,945	219,070	597,211	42,851	640,063

(5) Consolidated Statements of Cash Flows

(In millions of Yen)

	For the 1st Half Ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the 1st Half Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit for the period	39,999	31,643
Depreciation and amortization	10,655	16,319
Impairment loss of fixed assets	65	492
Finance (income) costs	1,329	2,080
Share of (profit)loss of investments accounted for using the equity method	(11,890)	(13,215)
(Gain) loss on sale of fixed assets, net	(856)	(392)
Income tax expenses	11,501	3,616
(Increase)decrease in trade and other receivables	64,063	22,118
(Increase)decrease in inventories	(24,982)	4,281
Increase (decrease) in trade and other payables	(50,093)	(11,766)
Changes in other assets and liabilities	22,985	2,192
Increase (decrease) in retirement benefits liabilities	(120)	132
Others	(5,782)	(1,104)
Subtotal	56,872	56,398
Interests earned	2,591	3,118
Dividends received	16,573	16,030
Interests paid	(7,922)	(7,628)
Income taxes paid	(16,419)	(6,531)
Net cash provided (used) by/in operating activities	51,695	61,386
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,291)	(11,319)
Proceeds from sale of property, plant and equipment	4,568	4,263
Purchase of intangible assets	(2,734)	(2,487)
(Increase)decrease in short-term loans receivable	(289)	130
Payment for long-term loans receivable	(995)	(41)
Collection of long-term loans receivable	3,356	1,022
Proceeds from (payments for) acquisition of subsidiaries	(3,517)	(525)
Proceeds from (payments for) sale of subsidiaries	1,402	—
Purchase of investments	(23,151)	(10,068)
Proceeds from sale of investments	14,251	5,586
Others	(1,369)	(7,893)
Net cash provided (used) by/in investing activities	(25,770)	(21,334)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	20,110	16,486
Proceeds from long-term borrowings	40,679	46,408
Repayment of long-term borrowings	(79,923)	(59,902)
Redemption of bonds	—	(10,011)
Repayment of lease liabilities	—	(6,106)
Proceeds from non-controlling interest holders	2,271	1,094
Sales of treasury stock	—	6
Purchase of treasury stock	(690)	(0)
Dividends paid	(7,505)	(11,884)
Dividends paid to non-controlling interest holders	(1,648)	(2,791)
Others	(1,075)	2
Net cash provided (used) by/in financing activities	(27,782)	(26,699)
Net increase (decrease) in cash and cash equivalents	(1,856)	13,353
Cash and cash equivalents at the beginning of the period	305,241	285,687
Effect of exchange rate changes on cash and cash equivalents	2,706	(2,434)
Cash and cash equivalents at the end of the period	306,092	296,606

(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 first half ended September 30, 2019, are the same as those applied to consolidated financial statements for the year ended March 31, 2019.

Effective April 1, 2019, the Company has applied the following mandatory standards.

Standard	Name	New / revised policies
IFRS 16	Leases	Revision of definition, accounting treatment, and disclosure method of leases

Effective April 1, 2019, the Company applied IFRS 16—Leases.

IFRS 16 does not categorize leases as finance leases or operating leases, but rather entails introduction of a uniform accounting model. Under this model, in principle, all leases are accounted for by recognizing right-of-use assets representing the right to use the underlying leased asset over the lease period and lease liabilities representing the obligation to make lease payments. As a result of recognizing right-of-use assets and lease liabilities, the Company must also recognize depreciation on the right-of-use assets and interest expenses on the lease liabilities.

For lessors, the standards under IFRS 16 are relatively unchanged from the prior standards. Accordingly, lessors continue to categorize leases as operating leases or finance leases.

In regard to leases as the lessee, the Company recognizes right-of-use assets and lease liabilities on the commencement day of the lease period. Lease liabilities are recognized by first measuring the total outstanding amount of the lease at discounted present value. After recognition, the book value of the lease liabilities is adjusted to reflect interest associated with the lease and lease payments made. Right-of-use assets are first recognized by measuring the acquisition cost by adjusting the initially measured value for the initial direct costs. After recognition, the value is measured by deducting accumulated depreciation and accumulated impairment losses. Depreciation of right-of-use assets is performed using the

straight-line method over the shorter of the lease period and the usable life of the lease assets. Lease payments for short-term leases and small-sum asset leases are recognized as expenses using the straight-line method over the lease period.

The application of IFRS 16 has had the following effects on the Company.

1. Transition Approach

The Company used the modified retrospective approach to transition to IFRS 16. Accordingly, past figures have not been restated, and retained earnings at April 1, 2019, were adjusted by the aggregate amount of impact of applying IFRS 16.

2. Lease Definition

The Company has chosen to apply the practical expedient that allows it to continue using prior judgments of whether or not a transaction constitutes a lease. For this reason, IFRS 16 will only be applied to arrangements previously recognized as leases. Arrangements previously not recognized as leases in accordance with IAS 17—Leases and IFRIC 4—Determining whether an Arrangement Contains a Lease are not reassessed to determine whether they constitute leases under IFRS 16. Accordingly, the definition of leases based on IFRS 16 are only applied to such arrangements formed or amended after April 1, 2019.

3. Leases as Lessee

With regard to leases previously classified as operating leases under IAS 17, right-of-use assets and lease liabilities have been recognized as of the date of initial application of IFRS 16. The Company measured lease liabilities at the present value of the total remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use assets at the time of transition are recognized using either of the following methods:

- Recognized at book value assuming that IFRS 16 had been applied at the start of the lease period, but discounted using the lessee's incremental borrowing rate at the date of initial application
- Recognized as an amount equal to lease liabilities adjusted by the amount of any prepaid or accrued lease payments

With regard to leases previously classified as operating leases under IAS 17, the following practical expedients were used in applying IFRS 16.

- Dependence on evaluations of disadvantage of leases by applying IAS 37—Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to impairment reviews
- Application of the exemption of not recognizing right-of-use assets or lease liabilities for leases for which the period ends within 12 months of the date of initial application
- Exclusion of initial direct costs from measurements of right-of-use assets at the date of initial application
- Use of post-fact judgments for calculating lease period, etc. for leases for which agreements include extension or cancellation options

4. Impact on Consolidated Financial Statements for the Six-Month Period Ended September 30, 2019

As a result of the application of IFRS 16, ¥68,720 million in additional lease-related assets, including right-of-use assets, and ¥70,498 million in additional lease liabilities were recognized on the consolidated statements of financial position on the date of initial application.

In addition, the method of accounting for operating lease payments as lessees recorded on the consolidated statements of profit or loss as expenses at time of incurring under the previously applied IAS 17 have changed to recognize these payments as depreciation on right-of-use assets and as interest expenses on lease liabilities. Accordingly, the method recognition for these payments on the consolidated statements of cash flows have changed from recognition as a net cash outflow from operating activities to recognition as repayment of lease liabilities which account for a net cash outflows from financing activities. The impact of these changes on [profit and loss items / the consolidated statements of profit or loss] in the first half ended September 30, 2019, was minimal.

(7) Segment information

For the first half ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(In Millions of Yen)

	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	115,349	13,996	46,631	33,675	210,672	257,391	70,622
Inter-segment revenue	—	—	65	928	—	6	5
Total revenue	115,349	13,996	46,697	34,604	210,672	257,397	70,628
Segment profit (loss)	3,631	1,889	654	2,661	16,240	4,807	2,093

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	160,672	14,138	923,150	18,632	—	941,783
Inter-segment revenue	27	172	1,206	143	(1,350)	—
Total revenue	160,700	14,311	924,357	18,776	(1,350)	941,783
Segment profit (loss)	3,326	(111)	35,192	258	1,696	37,147

Reconciliation of segment profit of 1,696 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 247 million yen, and unallocated dividend income and others of 1,449 million yen.

For the first half ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(In Millions of Yen)

	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	117,706	17,747	56,593	34,464	187,360	226,713	65,625
Inter-segment revenue	—	11	26	883	—	8	5
Total revenue	117,706	17,759	56,619	35,347	187,360	226,722	65,630
Segment profit (loss)	1,525	599	1,456	3,444	9,816	4,766	1,197

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	155,070	17,392	878,673	15,159	—	893,832
Inter-segment revenue	27	189	1,152	77	(1,229)	—
Total revenue	155,097	17,581	879,826	15,236	(1,229)	893,832
Segment profit (loss)	2,779	584	26,170	254	3,093	29,517

Reconciliation of segment profit of 3,093 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 2,705 million yen, and unallocated dividend income and others of 388 million yen.