

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2019 (IFRS)

February 5, 2020
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2019, economic growth in developed countries continues to decelerate as a result of the trade friction between the United States and China and the economic slowdown in China. At the same time, there is a need for ongoing monitoring of the impacts on China-U.S. relations of the phase one trade deal concluded in January 2020, the circumstances surrounding 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 nine-month period ended December 31, 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 1,318.6 billion yen ((92.0) billion yen / (6.5)%)
Gross profit 159.4 billion yen ((22.4) billion yen / (12.3)%)

- 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

Profit for the period (attributable to owners of the Company)
37.5 billion yen ((16.2) billion yen / (30.2)%)

- Decrease in gross profit
- Decrease in other income due to the sale of automobile-related company in the previous equivalent period.

(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 Revised Forecast (Nov. 1, 2019)	FY2019 Revised Forecast (Feb. 5, 2020)
Gross profit	250.0 billion yen	230.0 billion yen
Profit before tax	94.0 billion yen	82.0 billion yen
Profit for the year (attributable to owners of the Company)	72.0 billion yen	66.0 billion yen

(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 - Purchase of treasury stock (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 9-month			FY2018 9-month		Reasons for the Difference	FY2019 Forecast (Revised) c	Percentage Achieved a/c
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Revenue	1,318.6	893.8	424.8	1,410.6	(92.0)			
						Revenue: change in segment		
						Chemicals (47.8)		
						Metals & Mineral Resources (31.2)		
						Retail & Lifestyle Business (11.4)		
Gross profit	159.4	109.7	49.7	181.8	(22.4)		230.0	69%
						Gross profit: change in segment		
						Metals & Mineral Resources (13.8)		
						Chemicals (3.2)		
						Retail & Lifestyle Business (2.7)		
Selling, general and administrative expenses								
Personnel expenses	(73.2)	(48.4)	(24.8)	(72.0)	(1.2)			
Non-personnel expenses	(44.1)	(29.0)	(15.1)	(50.7)	6.6	Effect of application of new IFRS standard (Leases)		
Depreciation	(12.3)	(8.0)	(4.3)	(5.0)	(7.3)			
Provision of allowance for doubtful accounts	(0.3)	(0.2)	(0.1)	(0.4)	0.1			
(Total selling, general and administrative expenses)	(129.9)	(85.6)	(44.3)	(128.1)	(1.8)		(175.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	2.7	0.4	(2.3)	1.0	1.7			
Impairment loss on fixed assets	(0.5)	(0.5)	0.0	(0.5)	0.0			
Gain on reorganization of subsidiaries/associates	0.9	0.8	0.1	8.0	(7.1)	Sales of automotive-related company		
Loss on reorganization of subsidiaries/associates	(0.2)	(0.2)	0.0	(2.8)	2.6			
Other operating income/expenses	(1.6)	(0.4)	(1.2)	(1.5)	(0.1)			
(Total other income/expenses)	1.3	0.1	1.2	4.2	(2.9)		6.0	
Financial income/costs								
Interest earned	5.1	3.7	1.4	5.1	0.0			
Interest expenses	(11.2)	(7.7)	(3.5)	(11.8)	0.6			
(Interest expenses, net)	(6.1)	(4.0)	(2.1)	(6.7)	0.6			
Dividends received	3.6	2.0	1.6	4.1	(0.5)			
Other financial income/costs	0.0	(0.1)	0.1	0.1	(0.1)			
(Financial income/costs, net)	(2.5)	(2.1)	(0.4)	(2.5)	0.0		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	18.5	13.2	5.3	18.8	(0.3)		26.0	
Profit before tax	46.8	35.3	11.5	74.2	(27.4)		82.0	57%
Income tax expenses	(6.0)	(3.7)	(2.3)	(16.6)	10.6		(12.0)	
Profit for the period (Profit attributable to)	40.8	31.6	9.2	57.6	(16.8)		70.0	58%
Owners of the Company	37.5	29.5	8.0	53.7	(16.2)		66.0	57%
Non-controlling interests	3.3	2.1	1.2	3.9	(0.6)		4.0	
Core earnings*1	45.8	35.5	10.3	70.3	(24.5)		76.0	

Comprehensive Income

	FY2019 9-month			FY2018 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	40.8	31.6	9.2	57.6	(16.8)
Other comprehensive income	(19.8)	(36.9)	17.1	(23.1)	3.3
Total comprehensive income for the period	21.0	(5.3)	26.3	34.5	(13.5)
Comprehensive income attributable to:					
Owners of the Company	17.5	(6.6)	24.1	31.3	(13.8)
Non-controlling interests	3.5	1.3	2.2	3.2	0.3

Cash Flows

	FY2019 9-month			FY2018 9-month		Factors Affecting Circled Figures
	Results a	1H Results	3Q Results	Results b	Difference a-b	
Cash flows from operating activities	54.5	16.9	37.6			Income from business earnings and reductions in working capital Outflows for Telecommunication Infrastructure Business in Myanmar and Australian coking coal interests
Cash flows from investing activities	(35.2)	(32.5)	(2.7)			
Free cash flows	19.3	(15.6)	34.9			
Cash flows from financing activities	(30.6)	(4.9)	(25.7)			Outflows due to dividends paid, purchase of treasury stock, and repayment of borrowings
Core operating cash flow*2	58.9	63.1	(4.2)			
Core cash flow*3	(1.5)	42.2	(43.7)			

Consolidated Statements of Financial Position

	Dec. 31, 2019			Mar. 31, 2019		Reasons for the Difference
	2019 d	2019 e	Difference d-e	2019	Difference	
Current assets	1,253.5	1,267.7	(14.2)			
Cash and cash equivalents	274.0	285.7	(11.7)			
Time deposits	11.4	2.9	8.5			
Trade and other receivables	674.4	690.7	(16.3)			Decrease in chemicals
Inventories	220.9	220.6	0.3			
Other current assets	72.8	67.8	5.0			
Non-current assets	1,098.5	1,029.4	69.1			
Property, plant and equipment	190.6	192.9	(2.3)			Increase due to application of new IFRS standard (Leases)
Lease assets (usage rights assets)	78.2	-	78.2			
Goodwill	65.9	66.2	(0.3)			
Intangible assets	52.1	49.1	3.0			
Investment property	18.6	20.9	(2.3)			
Investments accounted for using the equity method	592.3	597.3	(5.0)			
Other non-current assets	100.8	103.0	(2.2)			
Total assets	2,352.0	2,297.1	54.9			
Current liabilities	817.8	807.2	10.6			
Trade and other payables	562.0	582.4	(20.4)			Decrease in chemicals
Lease liabilities	15.6	-	15.6			Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	170.1	149.7	20.4			
Other current liabilities	70.1	75.1	(5.0)			
Non-current liabilities	881.5	828.4	53.1			
Lease liabilities	67.9	-	67.9			Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	713.0	723.6	(10.6)			
Retirement benefits liabilities	22.2	22.1	0.1			
Other non-current liabilities	78.4	82.7	(4.3)			
Total liabilities	1,699.3	1,635.6	63.7			
Share capital	160.3	160.3	-			
Capital surplus	146.7	146.6	0.1			
Treasury stock	(3.9)	(0.9)	(3.0)			Purchase of treasury stock
Other components of equity	87.6	107.6	(20.0)			Decrease due to change in foreign exchange rates and stock prices
Retained earnings	217.1	204.6	12.5			Profit for the period +37.5
Total equity attributable to owners of the Company	607.8	618.2	(10.4)			Dividends (22.5)
Non-controlling interests	44.9	43.3	1.6			
Total equity	652.7	661.5	(8.8)			
Total liabilities and equity	2,352.0	2,297.1	54.9			
Gross interest-bearing debt*	883.1	873.3	+9.8			
Net interest-bearing debt*	597.7	584.7	+13.0			
Net debt/equity ratio (times)**	0.98	0.95	+0.03			
Equity ratio**	25.8%	26.9%	(1.1) ppt			
Current ratio	153.3%	157.1%	(3.8) ppt			
Long-term debt ratio	80.7%	82.9%	(2.2) 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 Third Quarter Ended December 31, 2019 (IFRS) – Supplementary Materials

February 5, 2020
Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results

	FY2019 3Q Results	FY2018 3Q Results	Difference	FY2019 Revised Forecast (Feb. 5, 2020)	Percentage Achieved
Revenue	1,318.6	1,410.6	(92.0)	-	-
Gross profit	159.4	181.8	(22.4)	230.0	69%
Selling, general and administrative expenses	(129.9)	(128.1)	(1.8)	(17.5)	
Other income/expenses	1.3	4.2	(2.9)	6.0	
Financial income/costs	(2.5)	(2.5)	0.0	(5.0)	
Share of profit (loss) of investments accounted for using the equity method	18.5	18.8	(0.3)	26.0	
Profit before tax	46.8	74.2	(27.4)	82.0	57%
Profit for the period (Profit attributable to)	40.8	57.6	(16.8)	70.0	58%
Owners of the Company	37.5	53.7	(16.2)	66.0	57%
Non-controlling interests	3.3	3.9	(0.6)	4.0	
Core earnings*1	45.8	70.3	(24.5)	76.0	
Comprehensive income attributable to owners of the Company	17.5	31.3	(13.8)		

*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

	Dec. 31, 2019	Mar. 31, 2019	Difference	Mar. 31, 2020 Revised Forecast (Nov. 1, 2019)
Total assets	2,352.0	2,297.1	+54.9	2,350.0
Total equity*2	607.8	618.2	(10.4)	620.0
Equity ratio	25.8%	26.9%	(1.1) ppt	26.4%
Net interest-bearing debt*3	597.7	584.7	+13.0	640.0
Net D/E ratio (times)	0.98	0.95	+0.03	1.0
Risk assets	370.0	360.0	+10.0	-
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 3Q	FY2018 3Q	Difference	FY2019 Revised Forecast (Feb. 5, 2020)	FY2019 Revised Forecast (Nov. 1, 2019)
Automotive	30.8	31.9	(1.1)	43.0	51.0
Aerospace & Transportation Project	10.8	10.9	(0.1)	18.0	18.0
Machinery & Medical Infrastructure	10.1	9.4	+0.7	16.0	16.0
Energy & Social Infrastructure	14.4	13.1	+1.3	20.0	20.0
Metals & Mineral Resources	16.0	29.8	(13.8)	22.0	28.0
Chemicals	32.0	35.2	(3.2)	44.0	48.0
Foods & Agriculture Business	11.3	13.6	(2.3)	15.0	15.0
Retail & Lifestyle Business	26.8	29.5	(2.7)	40.0	42.0
Industrial Infrastructure & Urban Development	4.1	4.5	(0.4)	7.0	7.0
Other	3.1	3.9	(0.8)	5.0	5.0

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

	FY2019 3Q	FY2018 3Q	Difference	Main Factors Behind Difference	FY2019 Revised Forecast (Feb. 5, 2020)	FY2019 Revised Forecast (Nov. 1, 2019)	Progress Overview	(Reference) FY2018 Results
Automotive	1.3	5.0	(3.7)	Decreased due to absence of gain on sales of automotive business company in the previous equivalent period coupled with decreases in the sales of overseas automotive business companies	2.0	5.5	Downward revision to forecasts in reflection of reduced overall automotive demand and profit margin declines associated with sales promotion activities primarily in Asia	6.4
Aerospace & Transportation Project	1.1	2.9	(1.8)	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	2.6	1.6	+1.0	Increased due to higher sales volumes from medical infrastructure business and industrial machinery transactions	4.5	4.5	Earnings from medical infrastructure-related projects, industrial machinery transactions, and domestic and overseas affiliates anticipated	2.8
Energy & Social Infrastructure	3.8	3.2	+0.6	Increased due to commencement of operations at domestic and overseas power generation projects and sales of oil interests	8.0	8.0	Continuous earnings accumulation anticipated from domestic and overseas power generation businesses and from subsidiaries/associates	5.8
Metals & Mineral Resources	12.0	23.6	(11.6)	Decreased due to fall in sales prices in overseas coal business	21.5	23.5	Downward revision to forecasts despite revisions to operating cost estimates, out of consideration for delays in the commencement of new businesses and sluggish steel demand	30.5
Chemicals	6.1	7.0	(0.9)	Decreased due to lower transaction volumes in Asian plastic resin businesses	9.5	11.0	Downward revision to forecasts based on faltering plastic resin demand and methanol prices seen in Asia leading up to the third quarter	9.0
Foods & Agriculture Business	1.4	2.7	(1.3)	Decreased due to impairment loss on domestic marine products business and lower sales volumes in overseas fertilizer businesses stemming from unseasonable weather and reduced demand	2.0	2.0	Performance generally as forecast	2.3
Retail & Lifestyle Business	4.7	4.8	(0.1)	Unchanged year on year	7.5	7.5	Performance generally as forecast	5.7
Industrial Infrastructure & Urban Development	0.2	(0.2)	+0.4	Increased due to higher number of overseas industrial parks delivered	1.0	1.0	Performance generally as forecast	1.1
Other	4.3	3.1	+1.2		5.0	4.0		2.8

Total	159.4	181.8	(22.4)	230.0	250.0	37.5	53.7	(16.2)	66.0	72.0	70.4
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Commodity Prices and Exchange Rates

	FY2018 Results (Apr.-Dec. '18 Avg.)	FY2019 Assumption (Annual Avg.)	FY2019 Results (Apr.-Dec. '19 Avg.)	Latest Data (as of Jan 30, 2020)
Crude oil (Brent)	US\$73.1/bbl	US\$60.0/bbl	US\$64.3/bbl	US\$58.3/bbl
Thermal coal**1	US\$109.1/t	US\$80.0/t	US\$71.7/t	US\$67.0/t
Coking coal**1	US\$199.5/t	US\$180.0/t (1H) US\$170.0/t (2H)	US\$167.4/t	US\$151.6/t
Exchange rate**2	¥111.3/US\$	¥110.0/US\$	¥108.9/US\$	¥109.0/US\$

**1 Coal prices are based on standard market prices 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. ¥0.5 billion annually, profit for the year (attributable to owners of the Company) by approx. ¥0.25 billion annually, and total equity by approx. ¥2.0 billion annually.