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

February 5, 2020

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: February 13, 2020
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, 2019 (April 1, 2019 - December 31, 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	
For the third quarter ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
December 31, 2019	1,318,598	(6.5)	46,798	(37.0)	40,805	(29.2)	37,487	(30.2)	20,988	(39.0)
December 31, 2018	1,410,630	4.2	74,225	22.0	57,623	18.5	53,711	20.0	34,429	(48.4)

	Basic earnings per share	Diluted earnings per share
For the third quarter ended	Yen	Yen
December 31, 2019	30.03	30.03
December 31, 2018	42.97	42.97

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, 2019	2,352,010	652,660	607,784	25.8
March 31, 2019	2,297,059	661,607	618,295	26.9

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, 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
For the Year Ending March 31, 2020	Millions of Yen	%	Yen
Full-year	66,000	(6.3)	52.95

Note 1 : Changes in cash dividend forecast : Yes

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, 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 December 31, 2019 : 11,023,383 As of March 31, 2019 : 2,260,444

3. Average number of outstanding shares during the periods:

For the third quarter ended December 31, 2019 (accumulative): 1,248,513,020

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

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 third quarter ended December 31, 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 Nine-Month Period Ended December 31, 2019

Economic Environment

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, the economic slowdown in China, and geopolitical risks. 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.

In the United States, economic growth continued be supported largely by consumer spending while capital investment, particularly in the manufacturing industry, was bearish. Ongoing caution is warranted with regard to trade negotiations and issues in the Middle East as we approach the U.S. presidential election to take place in November 2020.

In Europe, a lack of demand from China and other countries coupled with the impacts of the sluggish Germany economy and the uncertainty regarding the United Kingdom's withdrawal from the European Union stifled growth, and the negative impacts spread to the previously strong consumer spending. Legislation regarding the United Kingdom's withdrawal from the European Union was drafted in January 2020, but there is still a need to be wary of the course of tariff negotiations between the United Kingdom and the European as well as trends in participation in trade agreements, such as the economic partnership agreement between the United Kingdom and Japan and the Trans-Pacific Partnership.

Meanwhile, China's efforts to cut back on excessive debt and production capacity led second-quarter GDP to plummet by 6.0% year on year, reaching its lowest level since 1992. It is therefore imperative to monitor trends in government policy, such as the fiscal and economic stimulus of the relevant authorities, as well as in factories being relocated to ASEAN countries.

In other parts of Asia, private consumption proved relatively strong, but the impacts of the slowdown in the global economy manifested in forms such as reduced external demand and diminished investment appetite. There is also a possibility that expanding trade surpluses may lead to full-fledged trade negotiations with the United States.

Conditions in the Japanese economy were solid, supported by internal demand. Conversely, external demand was weak due to the impacts of the trade friction between the United States and China and the economic slowdown in China. There is also a need to be wary of the mounting uncertainty regarding the effects of the consumption tax hike in Japan, the U.S. presidential election, and the situation in the Middle East.

Financial Performance

Sojitz Corporation's consolidated business results for the third quarter ended December 31, 2019 are presented below.

Revenue	Revenue was down 6.5% year on year, to ¥1,318,598 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 ¥22,328 million year on year, to ¥159,443 million, due to decrease in revenue.
Profit before tax	Profit before tax decreased ¥27,427 million year on year, to ¥46,798 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 ¥5,992 million from profit before tax of ¥46,798 million, profit for the period amounted to ¥40,805 million, down ¥16,818 million year on year. Profit for the period (attributable to owners of the Company) decreased ¥16,224 million year on year, to ¥37,487 million.
Comprehensive income for the period	Comprehensive income for the period decreased ¥13,441 million year on year, to ¥20,988 million, 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 income for the period (attributable to owners of the Company) was down ¥13,758 million year on year, to ¥17,501 million.

Results for the nine-month period ended December 31, 2019, are summarized by segment below.

Automotive

Revenue was down 4.5% year on year, to ¥177,372 million, as the acquisition of domestic and overseas automobile distributor businesses were counterbalanced by lower sales volumes in overseas automobile distributor businesses. Profit for the period (attributable to owners of the Company) decreased ¥3,733 million, to ¥1,309 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 22.1% year on year, to ¥25,376 million, as a result of higher income in aircraft transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,795 million, to ¥1,148 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 15.1% year on year, to ¥87,172 million, as a result of an increase in industrial machinery transactions. Profit for the period (attributable to owners of the Company) rose ¥1,058 million, to 2,618 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 6.4% year on year, to ¥54,581 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 ¥579 million, to ¥3,816 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 10.4% year on year, to ¥269,419 million, as a result of fall in sales prices in overseas coal businesses. Profit for the period (attributable to owners of the Company) decreased ¥11,605 million, to ¥11,968 million, as a result of a decline in gross profit.

Chemicals

Revenue was down 12.5% year on year, to ¥334,780 million, as a result of lower transaction volumes of plastic resins and declines in the price of methanol. Profit for the period (attributable to owners of the Company) decreased ¥881 million, to ¥6,123 million.

Foods & Agriculture Business

Revenue was down 9.5% year on year, to ¥91,647 million, following lower transactions volumes in overseas fertilizer businesses. Profit for the period (attributable to owners of the Company) decreased ¥1,248 million, to ¥1,431 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 4.7% year on year, at ¥232,415 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 ¥127 million, to ¥4,692 million as a decline in gross profit counteracted the impacts of an increase in other income due to the sale of real estate.

Industrial Infrastructure & Urban Development

Revenue was up 10.8% year on year, to ¥23,088 million, because of an increase in real estate transactions. Profit for the period (attributable to owners of the Company) increased ¥364 million, to ¥203 million, as a result of an increase in share of profit of investments accounted for using the equity method.

(2) Financial Position

Consolidated Balance Sheet

Total assets on December 31, 2019, stood at ¥2,352,010 million, up ¥54,951 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 December 31, 2019, amounted to ¥1,699,349 million, up ¥63,898 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 ¥607,784 million on December 31, 2019, down ¥10,511 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 December 31, 2019, the current ratio was 153.3%, the long-term debt ratio was 80.7%, and the equity ratio* was 25.8%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥597,643 million on December 31, 2019, ¥12,932 million increase from March 31, 2019. This resulted in the Company's net debt equity ratio* equaling 0.98 times at December 31, 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 issued straight bonds in the amount of ¥10 billion in November 2019. Sojitz will continue to closely monitor interest rates and market conditions and will consider 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$0.2 billion has been used).

Consolidated Cash Flows
In the nine-month period ended December 31, 2019, operating activities provided net cash flow of ¥54,498 million, investing activities used net cash of ¥35,200 million, and financing activities provided net cash of ¥30,552 million. Sojitz ended the period with cash and cash equivalents of ¥274,041 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 nine-month period ended December 31, 2019, was ¥54,498 million, an increase of ¥37,558 million year on year. Major factors increasing cash included business earnings, dividends received.

(Cash flows from investing activities)
Net cash used in investing activities in the nine-month period ended December 31, 2019, was ¥35,200 million, up ¥2,750 million year on year, mainly as a result of investment for Telecommunication infrastructure business in Myanmar and purchase of property, plant and equipment for Australian coking coal interests.

(Cash flows from financing activities)
Net cash used in financing activities in the nine-month period ended December 31, 2019, was ¥30,552 million, up ¥25,641 million year on year. This outflow was primarily results of dividends paid and repayment of borrowings.

(3) Consolidated Earnings Forecast

Current forecast for fiscal year 2019 is as follow.

Consolidated financial results forecasts for the fiscal year ending March 31, 2020, have been revised as follows in reflection of the ongoing impacts of global economic slowdown.

Profit for the year (Attributable
to owners of the Company) ¥66.0 billion （¥6.0 billion (8.3%) lower than initial forecast）

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 December 31, 2019)
Assets		
Current assets		
Cash and cash equivalent	285,687	274,041
Time deposits	2,922	11,411
Trade and other receivables	690,678	674,310
Derivatives	2,060	4,115
Inventories	220,621	220,875
Income tax receivables	6,714	5,142
Other current assets	58,965	63,640
Total current assets	1,267,650	1,253,536
Non-current assets		
Property, plant and equipment	192,902	190,555
Usage rights assets	—	78,164
Goodwill	66,198	65,904
Intangible assets	49,145	52,142
Investment property	20,875	18,645
Investments accounted for using the equity method	424,152	425,907
Trade and other receivables	84,145	83,701
Other investments	173,066	166,358
Derivatives	46	0
Other non-current assets	12,683	10,944
Deferred tax assets	6,192	6,146
Total non-current assets	1,029,409	1,098,473
Total assets	2,297,059	2,352,010
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	582,296	562,032
Lease liabilities	—	15,562
Bonds and borrowings	149,695	170,082
Derivatives	2,511	3,183
Income tax payables	10,775	4,687
Provisions	1,026	2,749
Other current liabilities	60,793	59,539
Total current liabilities	807,098	817,837
Non-current liabilities		
Lease liabilities	—	67,888
Bonds and borrowings	723,625	713,013
Trade and other payables	12,563	10,900
Derivatives	2,693	2,658
Retirement benefits liabilities	22,139	22,228
Provisions	36,292	36,002
Other non-current liabilities	11,235	7,995
Deferred tax liabilities	19,802	20,824
Total non-current liabilities	828,353	881,512
Total liabilities	1,635,451	1,699,349
Equity		
Share capital	160,339	160,339
Capital surplus	146,645	146,733
Treasury stock	(865)	(3,957)
Other components of equity	107,576	87,627
Retained earnings	204,600	217,041
Total equity attributable to owners of the Company	618,295	607,784
Non-controlling interests	43,312	44,875
Total equity	661,607	652,660
Total liabilities and equity	2,297,059	2,352,010

(2) Consolidated Statements of Profit or Loss

(In millions of Yen)

	FY 2018 9-month (From April 1, 2018 To December 31, 2018)	FY 2019 9-month (From April 1, 2019 To December 31, 2019)
Revenue		
Sale of goods	1,330,732	1,243,648
Sales of service and others	79,898	74,949
Total revenue	1,410,630	1,318,598
Cost of sales	(1,228,859)	(1,159,155)
Gross profit	181,771	159,443
Selling, general and administrative expenses	(128,124)	(129,915)
Other income(expenses)		
Gain(loss) on sale and disposal of fixed assets, net	955	2,701
Impairment loss on fixed assets	(507)	(492)
Gain on reorganization of subsidiaries/associates	8,019	945
Loss on reorganization of subsidiaries/associates	(2,787)	(206)
Other operating income	3,928	4,219
Other operating expenses	(5,376)	(5,827)
Total other income/expenses	4,231	1,339
Financial income		
Interests earned	5,127	5,050
Dividends received	4,125	3,574
Other financial income	102	—
Total financial income	9,355	8,625
Financial costs		
Interest expenses	(11,757)	(11,190)
Other financial costs	—	(49)
Total financial cost	(11,757)	(11,240)
Share of profit(loss) of investments accounted for using the equity method	18,749	18,546
Profit before tax	74,225	46,798
Income tax expenses	(16,602)	(5,992)
Profit for the period	57,623	40,805
Profit attributable to:		
Owners of the Company	53,711	37,487
Non-controlling interests	3,911	3,318
Total	57,623	40,805

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

(In millions of Yen)

	FY 2018 9-month (From April 1, 2018 To December 31, 2018)	FY 2019 9-month (From April 1, 2019 To December 31, 2019)
Profit for the period	57,623	40,805
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(12,986)	(2,041)
Remeasurements of defined benefit pension plans	(145)	82
Share of other comprihensive income of investments accounted for using the equity method	1,865	(6,946)
Total items that will not be reclassified to profit or loss	(11,266)	(8,905)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(8,247)	(6,340)
Cash flow hedges	(568)	(309)
Share of other comprihensive income of investments accounted for using the equity method	(3,110)	(4,260)
Total items that may be reclassified subsequently to profit or loss	(11,926)	(10,911)
Other comprehensive income for the year, net of tax	(23,193)	(19,816)
Total comprehensive income for the period	34,429	20,988
Total comprehensive income for the period attributable to:		
Owners of the Company	31,259	17,501
Non-controlling interests	3,170	3,487
Total	34,429	20,988

(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, 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)

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				(9,290)	(9,088)	(1,736)
Total comprehensive income for the period	—	—	—	(9,290)	(9,088)	(1,736)
Purchase of treasury stock		(1)	(3,116)			
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					166	
Share remuneration transactions		114				
Other changes						
Total contributions by and distributions to owners of the Company	—	88	(3,091)	0	166	0
Balance as of December 31, 2019	160,339	146,733	(3,957)	(4,428)	98,304	(6,248)

(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			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

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			37,487	37,487	3,318	40,805
Other comprehensive income	128	(19,986)		(19,986)	169	(19,816)
Total comprehensive income for the period	128	(19,986)	37,487	17,501	3,487	20,988
Purchase of treasury stock				(3,117)		(3,117)
Disposal of treasury stock				—		—
Dividends			(22,517)	(22,517)	(3,356)	(25,873)
Change in ownership interests in subsidiaries without loss/acquisition of control		0	(216)	(215)	803	587
Reclassification from other components of equity to retained earnings	(128)	37	(37)	—		—
Share remuneration transactions				114		114
Other changes			127	127	628	755
Total contributions by and distributions to owners of the Company	(128)	37	(22,643)	(25,608)	(1,924)	(27,533)
Balance as of December 31, 2019	—	87,627	217,041	607,784	44,875	652,660

(5) Consolidated Statements of Cash Flows

(In millions of Yen)

	FY 2018 9-month (From April 1, 2018 to December 31, 2018)	FY 2019 9-month (From April 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit for the period	57,623	40,805
Depreciation and amortization	15,941	24,460
Impairment loss of fixed assets	507	492
Finance (income) costs	2,401	2,615
Share of (profit)loss of investments accounted for using the equity method	(18,749)	(18,546)
(Gain) loss on sale of fixed assets, net	(955)	(2,701)
Income tax expenses	16,602	5,992
(Increase)decrease in trade and other receivables	38,627	22,659
(Increase)decrease in inventories	(27,091)	(545)
Increase (decrease) in trade and other payables	(74,593)	(18,508)
Changes in other assets and liabilities	16,894	(7,963)
Increase (decrease) in retirement benefits liabilities	(80)	43
Others	(1,244)	32
Subtotal	25,884	48,837
Interests earned	3,824	3,654
Dividends received	19,550	21,451
Interests paid	(11,533)	(10,761)
Income taxes paid	(20,785)	(8,682)
Net cash provided (used) by/in operating activities	16,940	54,498
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,947)	(17,394)
Proceeds from sale of property, plant and equipment	4,774	4,452
Purchase of intangible assets	(3,305)	(5,177)
(Increase)decrease in short-term loans receivable	284	127
Payment for long-term loans receivable	(2,072)	(51)
Collection of long-term loans receivable	5,037	1,896
Proceeds from (payments for) acquisition of subsidiaries	(3,794)	(1,128)
Proceeds from (payments for) sale of subsidiaries	1,498	—
Purchase of investments	(29,504)	(18,490)
Proceeds from sale of investments	15,507	8,388
Others	72	(7,824)
Net cash provided (used) by/in investing activities	(32,450)	(35,200)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	66,270	16,720
Proceeds from long-term borrowings	56,766	74,533
Repayment of long-term borrowings	(108,646)	(84,636)
Proceeds from issuance of bonds	—	9,940
Redemption of bonds	(30)	(10,011)
Repayment of lease liabilities	—	(9,328)
Payment for acquisition of subsidiary's interests from non-controlling interests	(1,195)	(99)
Proceeds from non-controlling interest holders	2,861	(1,243)
Sales of treasury stock	—	6
Purchase of treasury stock	(691)	(3,116)
Dividends paid	(16,888)	(22,517)
Dividends paid to non-controlling interest holders	(1,919)	(3,376)
Others	(1,438)	89
Net cash provided (used) by/in financing activities	(4,911)	(30,552)
Net increase (decrease) in cash and cash equivalents	(20,421)	(11,254)
Cash and cash equivalents at the beginning of the period	305,241	285,687
Effect of exchange rate changes on cash and cash equivalents	446	(391)
Cash and cash equivalents at the end of the period	285,266	274,041

(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 nine-month period ended December 31, 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 Nine-Month Period Ended December 31, 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 third quarter December 31, 2019, was minimal.

(7) Segment information

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	－	－	99	1,397	－	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	－	1,410,630
Inter-segment revenue	41	266	1,819	221	(2,040)	－
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.

For the third quarter ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(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	177,372	25,376	87,172	54,581	269,419	334,780	91,647
Inter-segment revenue	－	17	43	1,349	－	12	8
Total revenue	177,372	25,394	87,216	55,930	269,419	334,793	91,656
Segment profit (loss)	1,309	1,148	2,618	3,816	11,968	6,123	1,431

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	232,415	23,088	1,295,854	22,743	－	1,318,598
Inter-segment revenue	40	277	1,749	121	(1,870)	－
Total revenue	232,456	23,365	1,297,604	22,864	(1,870)	1,318,598
Segment profit (loss)	4,692	203	33,312	485	3,689	37,487

Reconciliation of segment profit of 3,689 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 2,981 million yen, and unallocated dividend income and others of 709 million yen.