

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)			
Gross profit	159.4	109.7	49.7	181.8	(22.4)		230.0	69%
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	40.8	31.6	9.2	57.6	(16.8)		70.0	58%
(Profit attributable to)								
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		Factors Affecting Circled Figures
	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	59.7	(5.2)	Income from business earnings and reductions in working capital
Cash flows from investing activities	(35.2)	(32.5)	(2.7)	(32.5)	(2.7)	Outflows for Telecommunication Infrastructure Business in Myanmar and Australian coking coal interests
Free cash flows	19.3	(15.6)	34.9	27.2	(7.9)	
Cash flows from financing activities	(30.6)	(4.9)	(25.7)	(32.5)	(1.9)	Outflows due to dividends paid, purchase of treasury stock, and repayment of borrowings
Core operating cash flow*2	58.9	63.1	(4.2)	63.1	(4.2)	
Core cash flow*3	(1.5)	42.2	(43.7)	27.2	(48.9)	

Consolidated Statements of Financial Position

	Dec. 31, 2019			Mar. 31, 2019		Reasons for the Difference
	2019 d	2019 e	Difference d-e	2019 e	Difference d-e	
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)			
Lease assets (usage rights assets)	78.2	-	78.2			Increase due to application of new IFRS standard (Leases)
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	37.5	53.7	(16.2)		66.0	72.0		70.4

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.

Financial Results for the Third Quarter Ended December 31, 2019 (Reference)

February 5, 2020
Sojitz Corporation

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Full Year Forecast of Fiscal Year Ending March 31, 2020

II . Dividends

【Supplemental Data】

I. Segment Information


II. Summary of Financial Results

Caution regarding Forward-looking Statements

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The company will provide timely disclosure of any material changes, events, or other relevant issues.

I . Financial Results for the Third Quarter and Full Year Forecast of Fiscal Year Ending March 31, 2020



Summary of Financial Results for the Third Quarter Ended December 31, 2019

- Full-year forecast was revised from ¥72.0 billion to ¥66.0 billion due to impacts of global economic slowdown
- No revision to initial forecast for year-end dividend of ¥8.5 (annual dividend of ¥17)
Consolidated payout ratio of 31.8%

(will be determined at general shareholders' meeting in June, 2020)

	FY2018 3Q Results	FY2019 3Q Results	Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Feb.5, 2020)	Achieved (vs. Revised Forecast)
Profit for the period (attributable to owners of the Company)	¥53.7bn	¥37.5bn	¥(16.2)bn	¥72.0bn	¥66.0bn	57%
Cash divided per share	—	—	—	¥17	¥17	—
ROA	—	—	—	3.1%	2.8%	—
ROE	—	—	—	11.3%	10.7%	—
Net DER (Times)	1.09	0.98	(0.11)	1.0	1.0	—

Cash Flow Management

Positive three-year aggregate FCF and core cash flow projected in light of favorable core operating cash flow and asset replacement progress

	FY2018 Results	FY2019 3Q Results	MTP 2020 3-year total (FY2018–FY2020)
Core operating cash flow (*1)	¥79.0bn	¥59.0bn	About ¥210.0bn~
Asset Replacement (Investment recovery)	¥92.0bn	¥22.0bn	¥120.0~¥150.0bn
New investments and loans others	¥(91.0)bn	¥(57.0)bn	¥(270.0)~¥(300.0)bn
Shareholder Returns others (*2)	¥(17.0)bn	¥(26.0)bn	About ¥(60.0)bn
Core cash flow (*3)	¥63.0bn	¥(2.0)bn	Positive
Free cash flow	¥54.0bn	¥19.0bn	Positive

*1. Core operating cash flow = Net cash provided by (used in) operating activities – Changes in working capital

*2. 3-year total estimate based on target profit of over ¥75.0bn for the final year of MTP2020.
FY2019 3Q results include acquisition of treasury stock.

*3. Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement)
– Dividends paid – Purchase of treasury stock

Summary of Profit or Loss

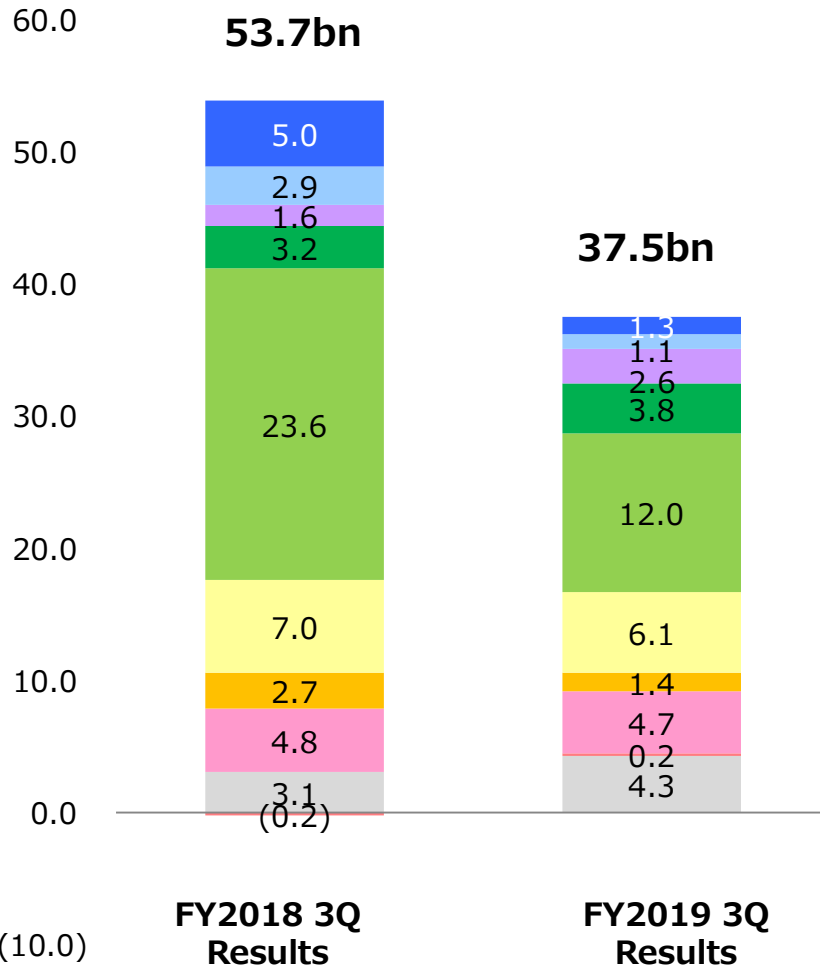
(Billions of yen)	FY2018 3Q Results	FY2019 3Q Results	Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Nov.1,19)	FY2019 Revised Forecast (Feb.5,20)	Achieved
Revenue	1,410.6	1,318.6	(92.0)	—	—	—	—
Gross profit	181.8	159.4	(22.4)	260.0	250.0	230.0	69%
Selling, general and administrative expenses	(128.1)	(129.9)	(1.8)	(182.5)	(178.0)	(175.0)	—
Share of profit (loss) of investments accounted for using the equity method	18.8	18.5	(0.3)	28.0	28.0	26.0	71%
Profit before tax	74.2	46.8	(27.4)	97.0	94.0	82.0	57%
Profit for the Year Attributable to Owners of the Company	53.7	37.5	(16.2)	72.0	72.0	66.0	57%
Core earnings	70.3	45.8	(24.5)	97.0	94.0	76.0	60%

Summary of Profit or Loss

Profit for the Year by segment

Profit for the year (attributable to owners of the Company) by segment

(Billions of Yen)



Main Factors Behind Difference

- **Automotive ¥ 1.3 billion (down ¥ (3.7) billion YoY)**
 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
- **Aerospace & Transportation Project ¥ 1.1 billion (down ¥ (1.8) billion YoY)**
 Decreased in reaction to aircraft sales recorded in the previous equivalent period
- **Machinery & Medical Infrastructure ¥ 2.6 billion (up ¥1.0 billion YoY)**
 Increased due to higher sales volumes from medical infrastructure business and industrial machinery transactions
- **Energy & Social Infrastructure ¥ 3.8 billion (up ¥ 0.6 billion YoY)**
 Increased due to commencement of operations at domestic and overseas power generation projects and sales of oil interests
- **Metals & Mineral Resources ¥ 12.0 billion (down ¥ (11.6) billion YoY)**
 Decreased due to fall in sales prices in overseas coal business
- **Chemicals ¥ 6.1 billion (down ¥ (0.9) billion YoY)**
 Decreased due to lower transaction volumes in Asian plastic resin businesses
- **Foods & Agriculture Business ¥ 1.4 billion (down ¥ (1.3) billion YoY)**
 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
- **Retail & Lifestyle Business ¥ 4.7 billion (down ¥ (0.1) billion YoY)**
 Unchanged year on year
- **Industrial Infrastructure & Urban Development ¥ 0.2 billion (up ¥0.4 billion YoY)**
 Increased due to higher number of overseas industrial parks delivered
- **Other ¥ 4.3 billion (up ¥ 1.2 billion YoY)**

FY2019 Forecast

Profit for the Year by Segment

(Billions of Yen)	FY2019 3Q Results	FY2019 Revised Forecast (Nov.1,19)	FY2019 Revised Forecast (Feb.5,20)
Automotive	1.3	5.5	2.0
Aerospace & Transportation Project	1.1	5.0	5.0
Machinery & Medical Infrastructure	2.6	4.5	4.5
Energy & Social Infrastructure	3.8	8.0	8.0
Metals & Mineral Resources	12.0	23.5	21.5
Chemicals	6.1	11.0	9.5
Foods & Agriculture Business	1.4	2.0	2.0
Retail & Lifestyle Business	4.7	7.5	7.5
Industrial Infrastructure & Urban Development	0.2	1.0	1.0
Other	4.3	4.0	5.0
Total	37.5	72.0	66.0

Progress Overview

- Automotive ¥1.3 billion**
 Downward revision to forecasts in reflection of reduced overall automotive demand and profit margin declines associated with sales promotion activities primarily in Asia
- Aerospace & Transportation Project ¥ 1.1 billion**
 Earnings contributions anticipated from aerospace-related business and railway projects
- Machinery & Medical Infrastructure ¥ 2.6 billion**
 Earnings from medical infrastructure-related projects, industrial machinery transactions, and domestic and overseas affiliates anticipated
- Energy & Social Infrastructure ¥ 3.8 billion**
 Continuous earnings accumulation anticipated from domestic and overseas power generation businesses and from subsidiaries/associates
- Metals & Mineral Resources ¥ 12.0 billion**
 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
- Chemicals ¥ 6.1 billion**
 Downward revision to forecasts based on faltering plastic resin demand and methanol prices seen in Asia leading up to the third quarter
- Foods & Agriculture Business ¥ 1.4 billion**
 Performance generally as forecast
- Retail & Lifestyle Business ¥ 4.7 billion**
 Performance generally as forecast
- Industrial Infrastructure & Urban Development ¥ 0.2 billion**
 Performance generally as forecast

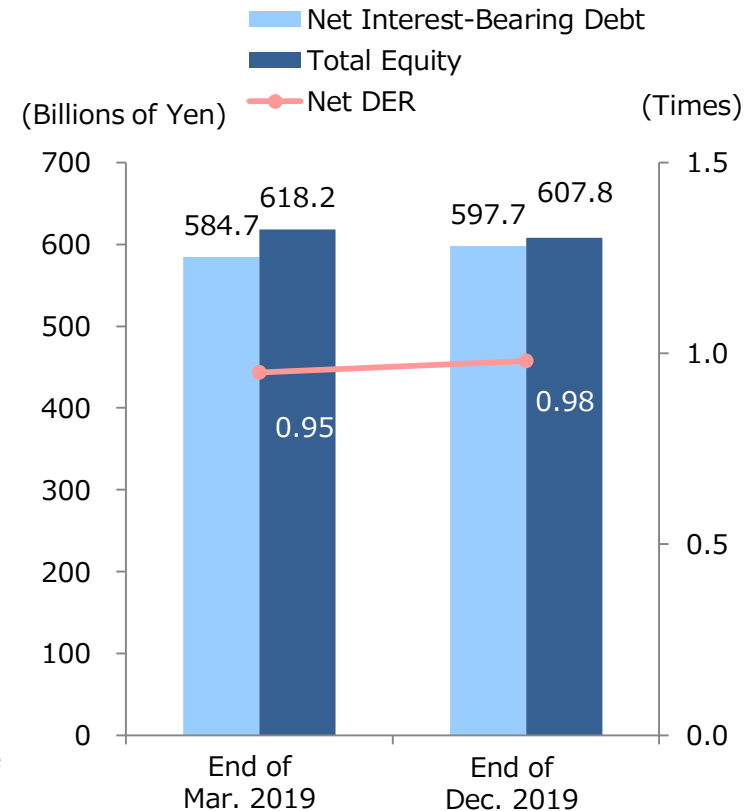
Summary of Balance Sheets

(Billions of Yen)	End of Mar. 2019	End of Dec. 2019	Difference	End of Mar. 20 Revised Forecast (Nov.1, 19)
Total Assets	2,297.1	2,352.0	+54.9	2,350.0
Total equity*1	618.2	607.8	(10.4)	620.0
Equity Ratio	26.9%	25.8%	(1.1)%	26.4%
Net interest-bearing debt	584.7	597.7	+13.0	640.0
Net DER (Times)	0.95	0.98	+0.03	1.0
Risk Assets vs. Total equity	360.0 (0.6times)	370.0 (0.6times)	+10.0 (±0times)	—
Current Ratio	157.1%	153.3%	(3.8)%	—
Long-term debt ratio	82.9%	80.7%	(2.2)%	—

(*1) "Total equity attributable to owners of the Company" is recognized as "Total equity" above and is also used in the denominator of the "Net DER" and the numerator of the "Equity ratio".

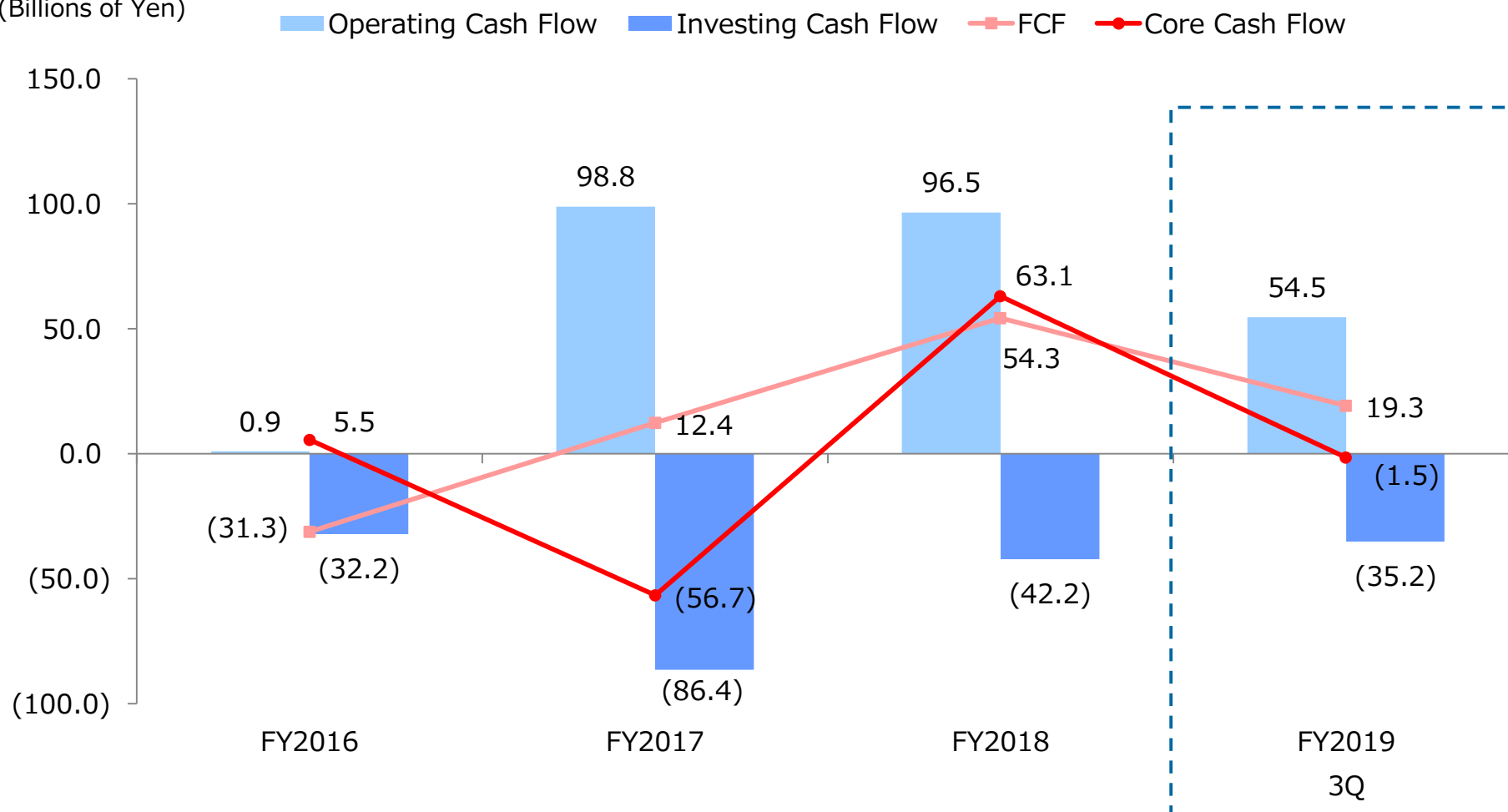
Changes in Total Equity (End of Mar. 2019 vs. End of Dec. 2019, Breakdown)

- Profit for the period attributable to owners of the Company ¥ +37.5 billion
- Dividends paid ¥ (22.5) billion



Summary of Free Cash Flows

(Billions of Yen)



※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.)

Investments and Loans and Asset Replacement for the Third Quarter Ended December 31, 2019

FY2019 3Q Results	Main Businesses
Investments and Loans	<ul style="list-style-type: none"> ■ Telecommunication infrastructure business in Myanmar ■ Offshore wind power generation operations in Taiwan ■ IPP business in the United States ■ Auto self-financing operations in Mexico ■ Investment in and operation of shopping centers in Japan ■ CAPEX <p style="text-align: right;">etc.</p>
Investments and Loans Results	Approx. ¥57.0bn
Asset Replacement	<ul style="list-style-type: none"> ■ Recovery of investment in IPP business in the United States ■ Sales of aircraft ■ Sales of marine vessels ■ Sales of domestic real estate <p style="text-align: right;">etc.</p>
Asset Replacement Results	Approx. ¥22.0bn

Major One-time Gain/Loss for the Third Quarter Ended December 31, 2019

	FY2018 3Q Results		FY2019 3Q Results	
Non-Resource	¥ 3.3 billion	<ul style="list-style-type: none"> • Sale of automobile-Related companies • Sales of aircraft etc.	¥ (0.4) billion	<ul style="list-style-type: none"> • Impairment loss on domestic marine products business • Gain on sales of domestic real estate • Gain on sales of overseas power generation project etc.
Resource	¥ 0.6 billion	<ul style="list-style-type: none"> • Sale of oil and gas interests etc.	¥ 1.2 billion	<ul style="list-style-type: none"> • Exit of oil and gas interests etc.
Total (After income tax expenses)	¥ 3.9 billion		¥ 0.8billion	

Growth of Resource and Non-Resource Profit

(Billions of yen)	FY2018 3Q Results	FY2019 3Q Results	Difference	FY2016 Results	FY2017 Results	FY2018 Results
① Profit for the year (attributable to Owners of the Company)	53.7	37.5	(16.2)	40.8	56.8	70.4
(② Total one-time income movements)	3.9	0.8	(3.1)	(6.0)	(7.0)	1.9
① - ② Profit for the year [(attributable to owners of the Company)] (Excluding one-time income movements)	49.8	36.7	(13.1)	46.8	63.8	68.5
Resource	18.4	6.9	(11.5)	0.3	13.8	25.3
Non-Resource	31.4	29.8	(1.6)	46.5	50.0	43.2

Commodity Prices, Foreign Exchange, and Interest Rate

	FY2018 Results (Apr.-Dec. Avg.)	FY2019 Initial Assumptions (Annual Avg.)	FY2019 Results (Apr.-Dec. Avg.)	Latest Data (As of January 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\$
Interest rate (TIBOR)	0.07%	0.10%	0.07%	0.07%

*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.

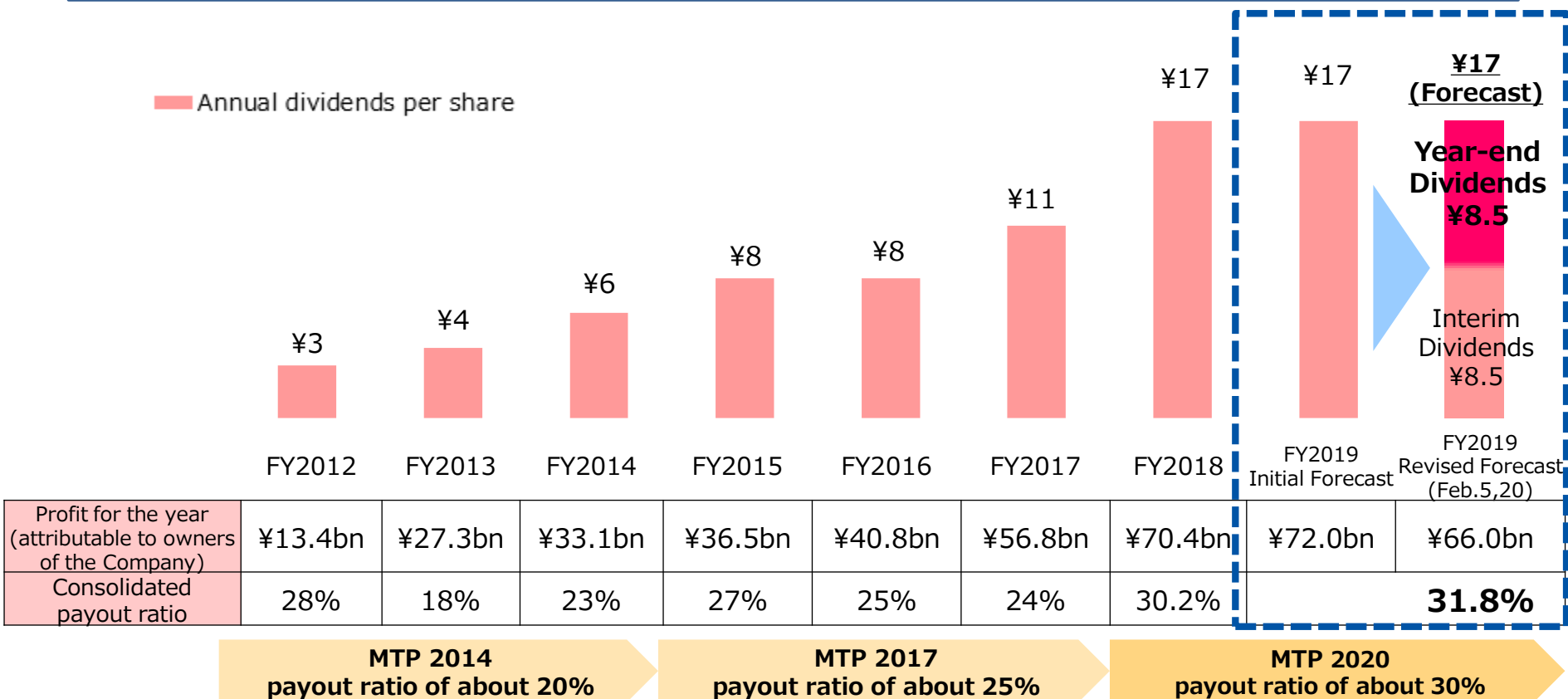
II . Dividends

Dividend Policy

Basic Dividend Policy

Sojitz recognizes that paying stable, continuous dividends is a management priority, together with enhancing shareholder value and boosting competitiveness through the accumulation and effective use of retained earnings.

Under MTP2020, our basis policy will be to target a consolidated payout ratio of about 30%.

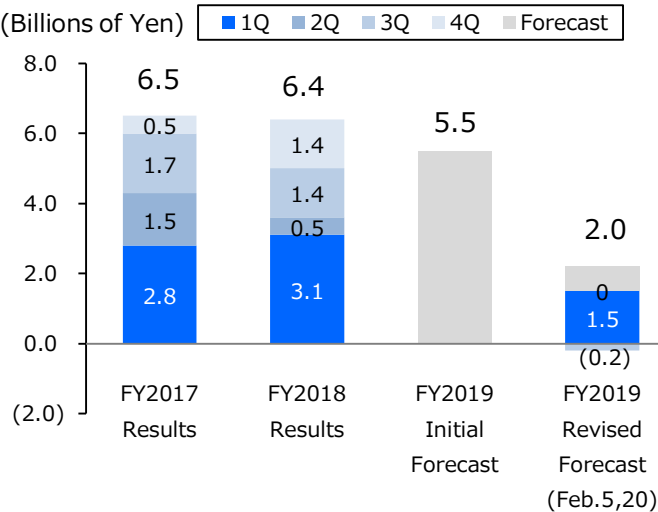


【Supplemental Data】

I . Segment Information

Automotive

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



【Progress Overview】

Downward revision to forecasts in reflection of reduced overall automotive demand and profit margin declines associated with sales promotion activities primarily in Asia

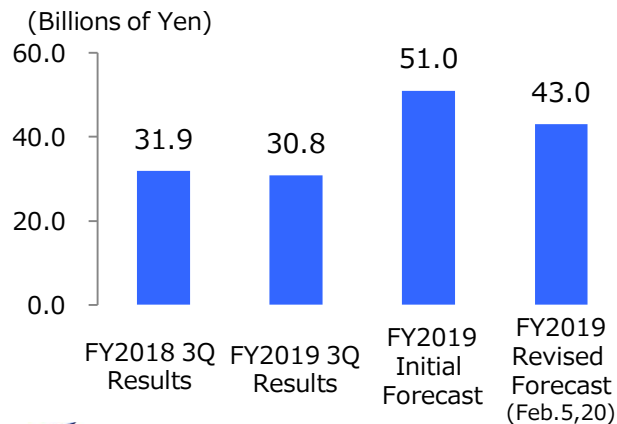


(Billions of Yen)

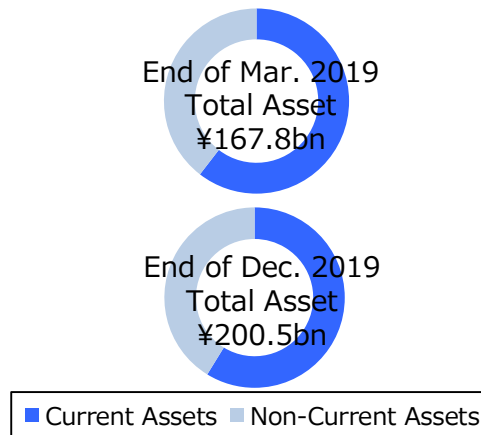
	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference
Gross profit	31.9	30.8	
Selling, general and administrative expenses	(23.7)	(25.2)	
Share of profit (loss) of investments accounted for using the equity method	0.5	0.0	
Profit for the period (attributable to owners of the Company)	5.0	1.3	

FY2019 Initial Forecast	FY2019 Revised Forecast (Feb.5,20)
51.0	43.0
-	-
-	-
5.5	2.0

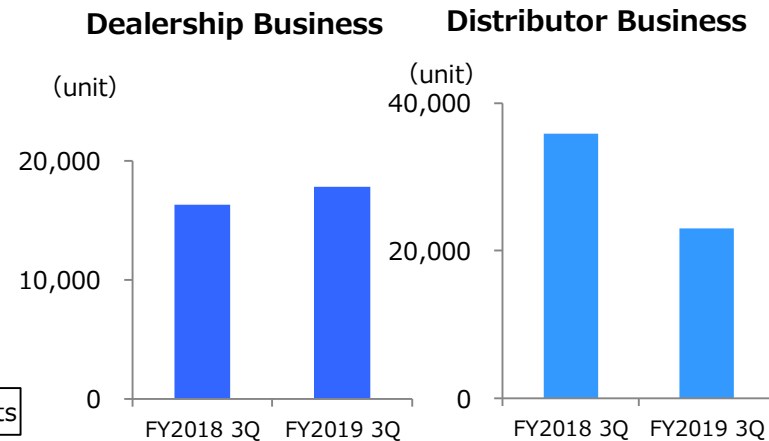
Gross profit



Asset Structure

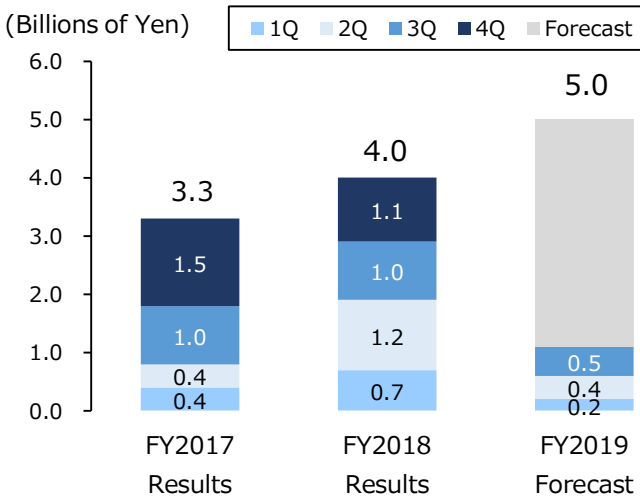


Vehicle Sales



Aerospace & Transportation Project

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



【Progress Overview】

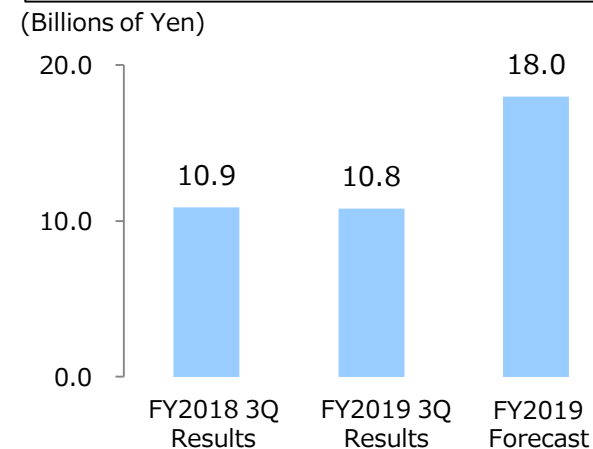
Earnings contributions anticipated from aerospace-related business and railway projects



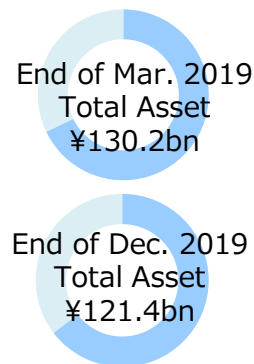
(Billions of Yen)

	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Forecast
Gross profit	10.9	10.8		18.0
Selling, general and administrative expenses	(7.5)	(7.8)		-
Share of profit (loss) of investments accounted for using the equity method	0.8	0.8		-
Profit for the period (attributable to owners of the Company)	2.9	1.1		5.0

Gross profit

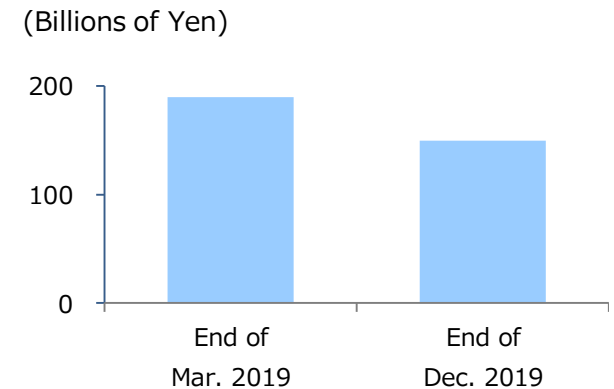


Asset Structure



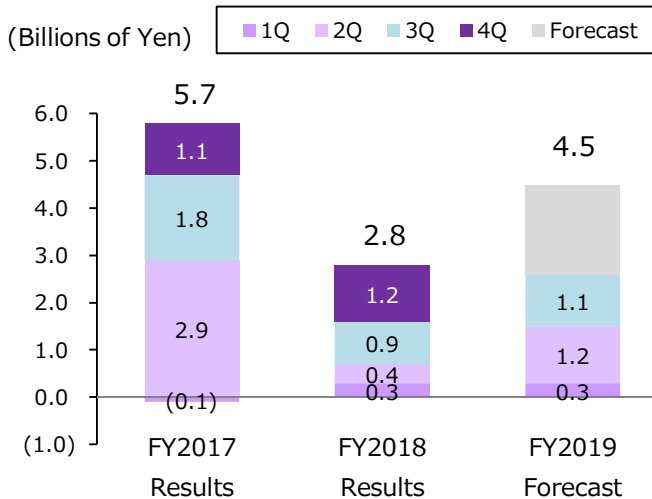
■ Current Assets ■ Non-Current Assets

Order Backlog for Railways in India



Machinery & Medical Infrastructure

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



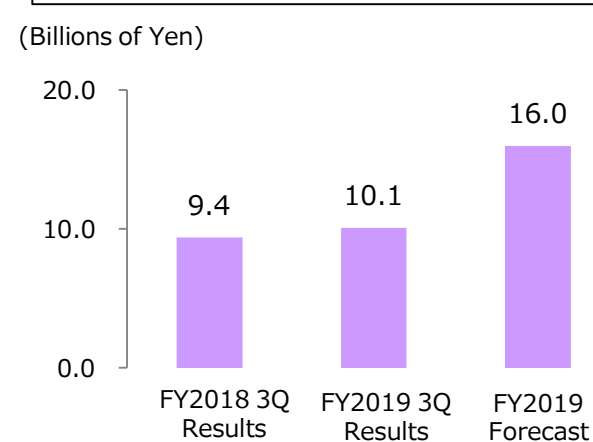
【Progress Overview】

Earnings from medical infrastructure-related projects, industrial machinery transactions, and domestic and overseas affiliates anticipated

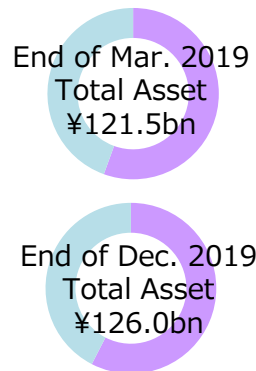


(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Forecast
Gross profit	9.4	10.1		16.0
Selling, general and administrative expenses	(8.8)	(9.1)		-
Share of profit (loss) of investments accounted for using the equity method	0.6	1.2		-
Profit for the period (attributable to owners of the Company)	1.6	2.6		4.5

Gross profit



Asset Structure



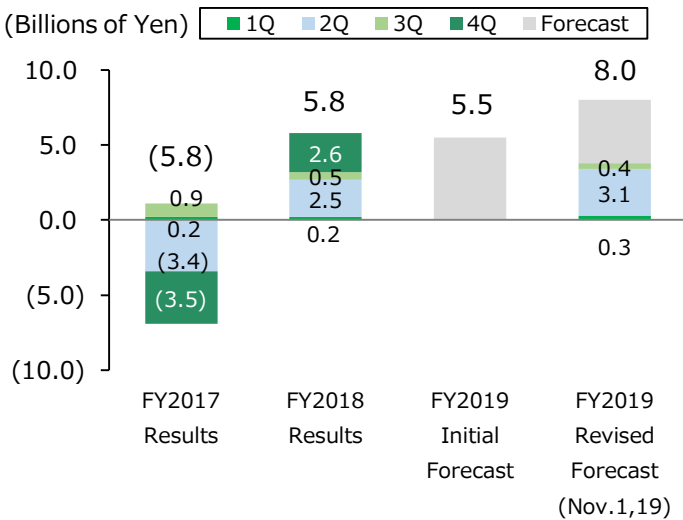
■ Current Assets ■ Non-Current Assets



▶ Smoothly progressing construction project at site of hospital in Turkey
(Completion of construction and start of operations now scheduled for the end of June 2020)

Energy & Social Infrastructure

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



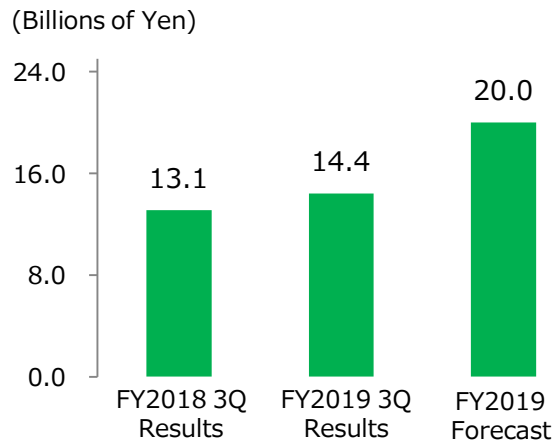
【Progress Overview】

Continuous earnings accumulation anticipated from domestic and overseas power generation businesses and from subsidiaries/associates

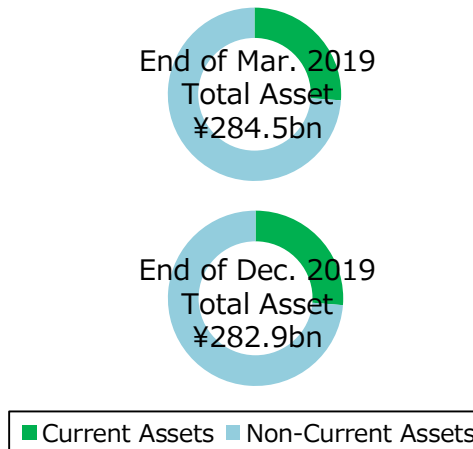


(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Nov.1,19)
Gross profit	13.1	14.4		20.0	20.0
Selling, general and administrative expenses	(14.4)	(14.2)		-	-
Share of profit (loss) of investments accounted for using the equity method	2.5	4.2	Earning from domestic and overseas solar power generation businesses	-	-
Profit for the period (attributable to owners of the Company)	3.2	3.8		5.5	8.0

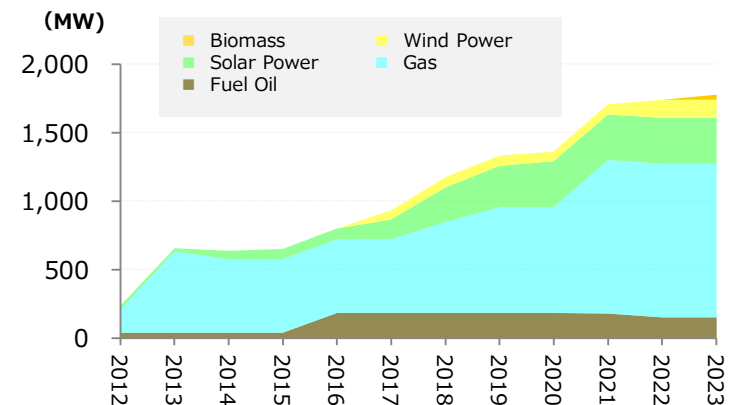
Gross profit



Asset Structure

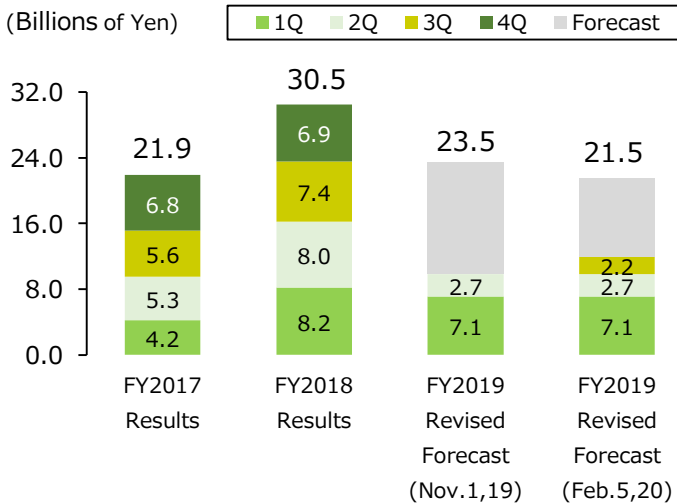


Change in Net Power-Generation Capacity



Metals & Mineral Resources

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



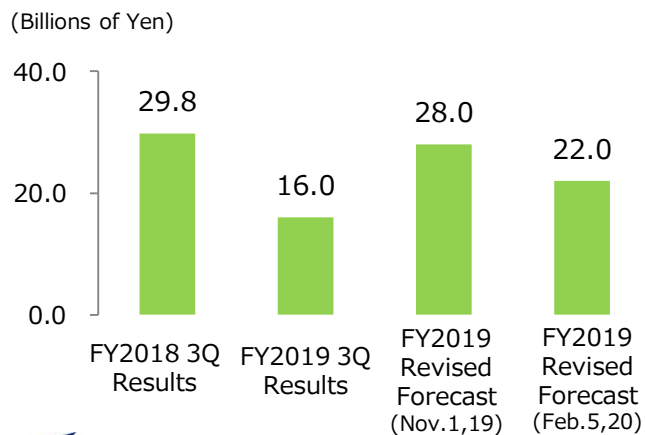
【Progress Overview】

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

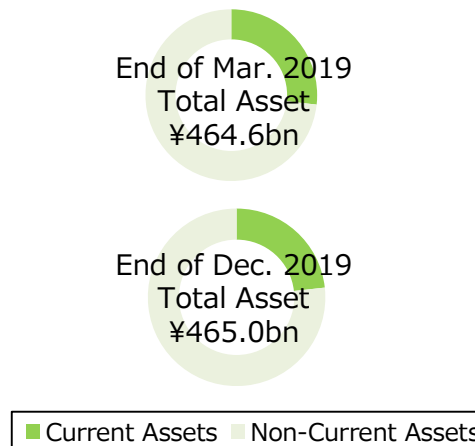


	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Revised Forecast (Nov. 1, 19)	FY2019 Revised Forecast (Feb. 5, 20)
(Billions of Yen)					
Gross profit	29.8	16.0		28.0	22.0
Selling, general and administrative expenses	(9.5)	(9.9)		-	-
Share of profit (loss) of investments accounted for using the equity method	13.3	9.5		-	-
Profit for the period (attributable to owners of the Company)	23.6	12.0		23.5	21.5

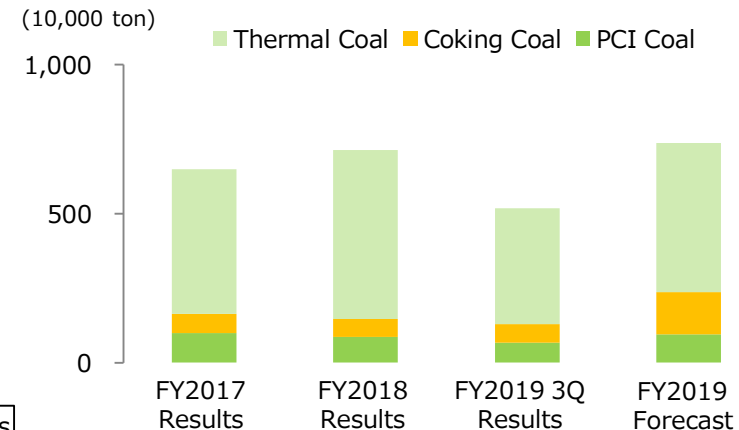
Gross profit



Asset Structure



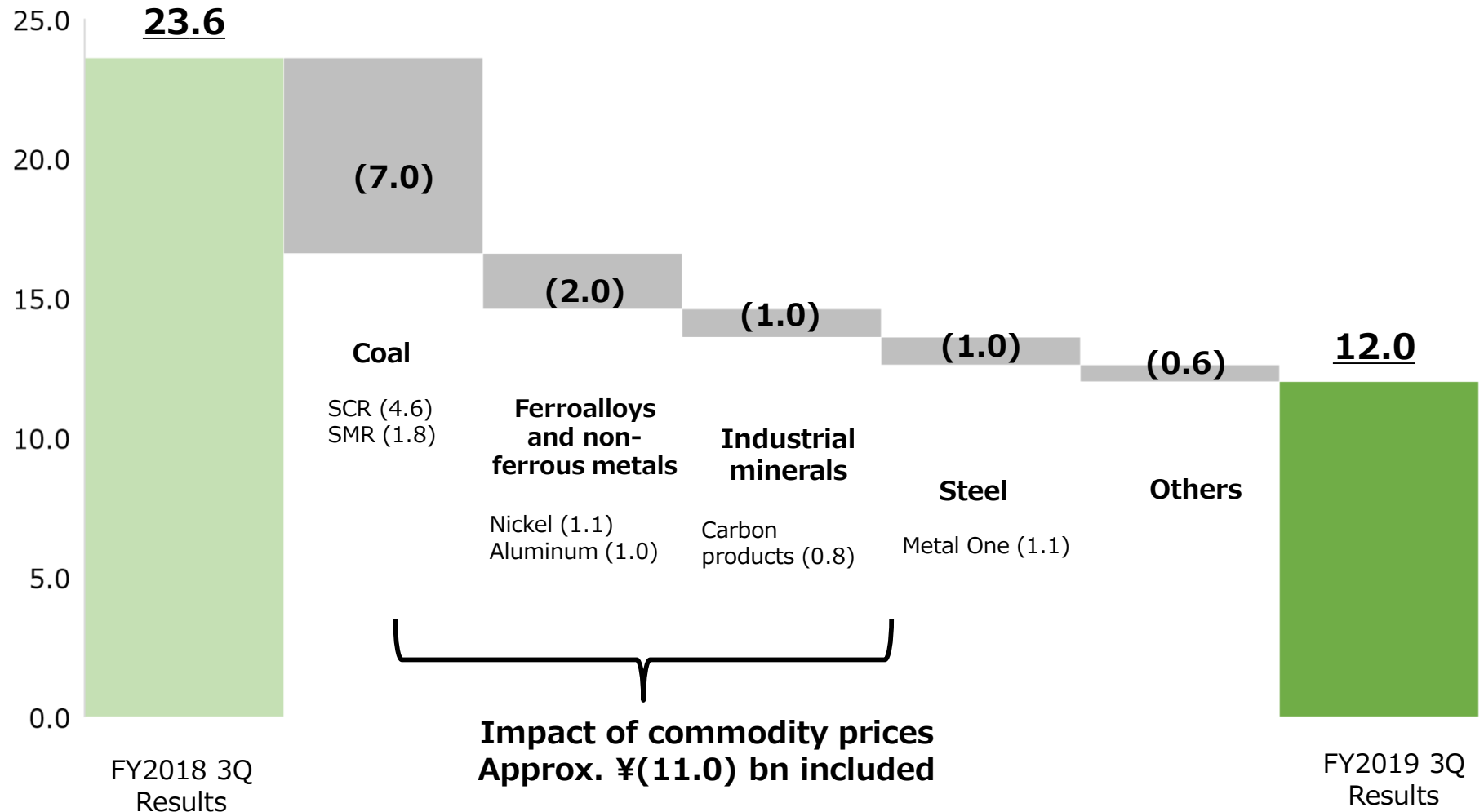
Change in Coal Sales Volume



Metals & Mineral Resources

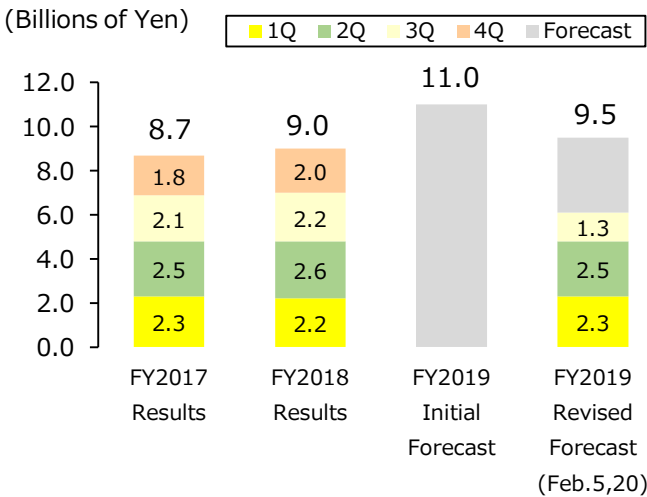
Year on Year Main Factors Behind Difference

(Billions of Yen)



Chemicals

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



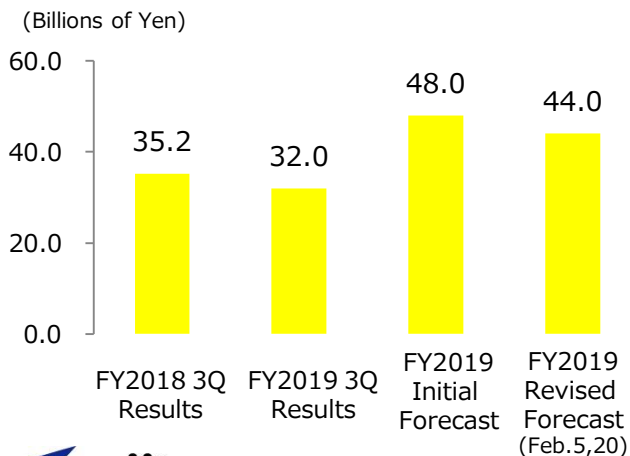
【Progress Overview】

Downward revision to forecasts based on faltering plastic resin demand and methanol prices seen in Asia leading up to the third quarter

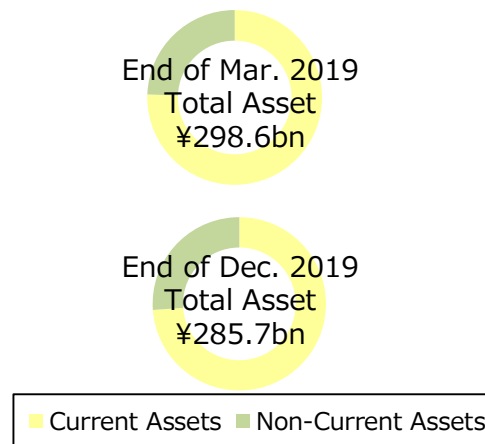


(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Feb.5,20)
Gross profit	35.2	32.0		48.0	44.0
Selling, general and administrative expenses	(23.8)	(22.4)		-	-
Share of profit (loss) of investments accounted for using the equity method	0.8	0.6		-	-
Profit for the period (attributable to owners of the Company)	7.0	6.1		11.0	9.5

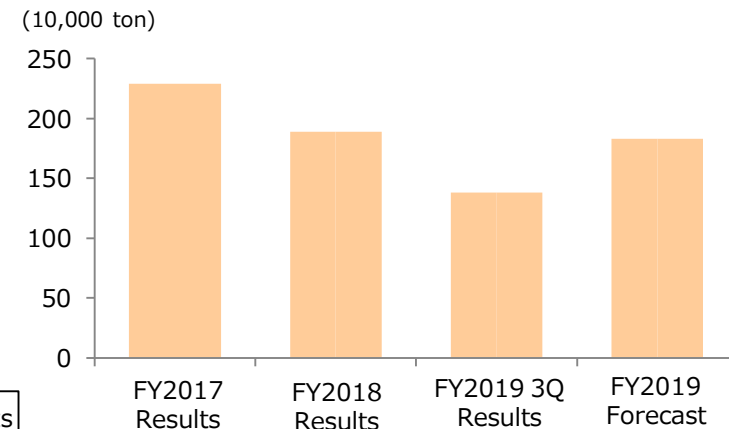
Gross profit



Asset Structure

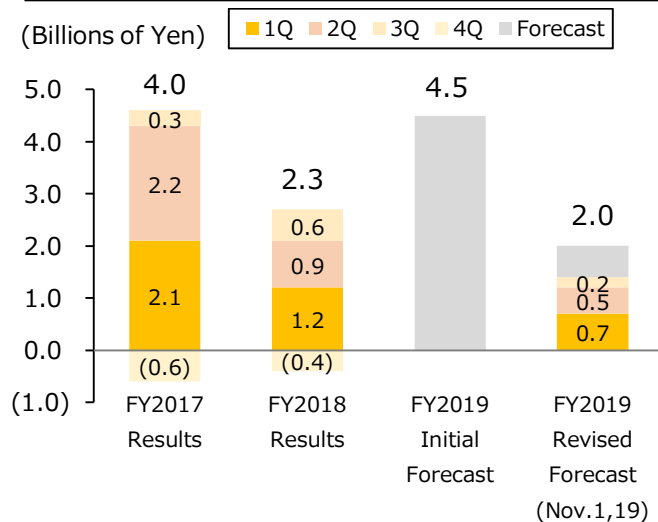


Sales Volume for Methanol



Foods & Agriculture Business

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



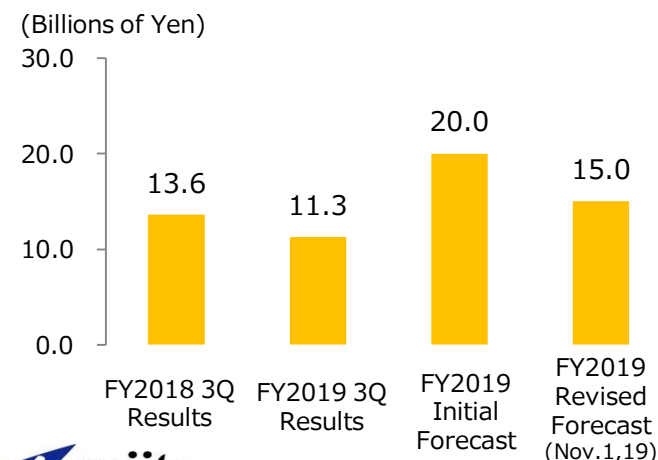
【Progress Overview】

Performance generally as forecast



(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Nov.1,19)
Gross profit	13.6	11.3		20.0	15.0
Selling, general and administrative expenses	(9.1)	(8.8)		-	-
Share of profit (loss) of investments accounted for using the equity method	0.0	0.4		-	-
Profit for the period (attributable to owners of the Company)	2.7	1.4		4.5	2.0

Gross profit



Asset Structure

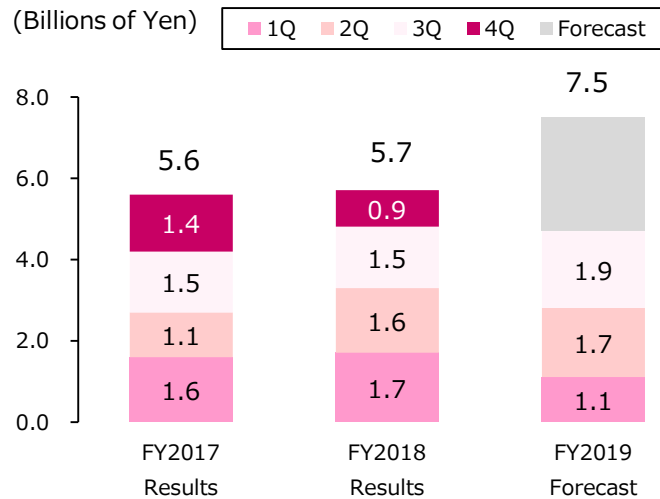
End of Mar. 2019
Total Asset
¥125.1bn

End of Dec. 2019
Total Asset
¥137.7bn

■ Current Assets ■ Non-Current Assets

Retail & Lifestyle Business

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

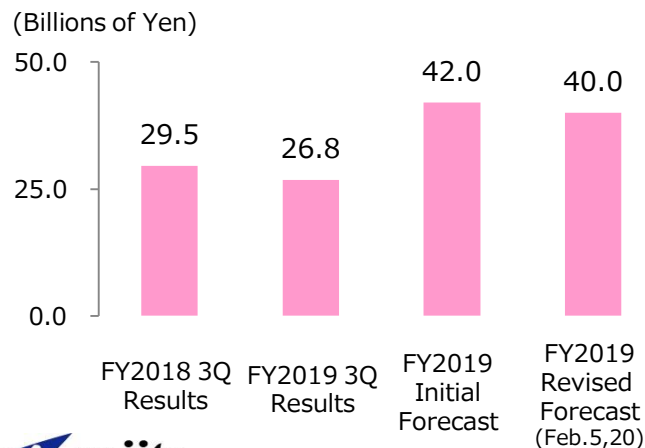


【Progress Overview】

Performance generally as forecast

(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Feb.5,20)
Gross profit	29.5	26.8		42.0	40.0
Selling, general and administrative expenses	(19.7)	(20.4)		-	-
Share of profit (loss) of investments accounted for using the equity method	(0.1)	0.4		-	-
Profit for the period (attributable to owners of the Company)	4.8	4.7		7.5	7.5

Gross profit



Asset Structure

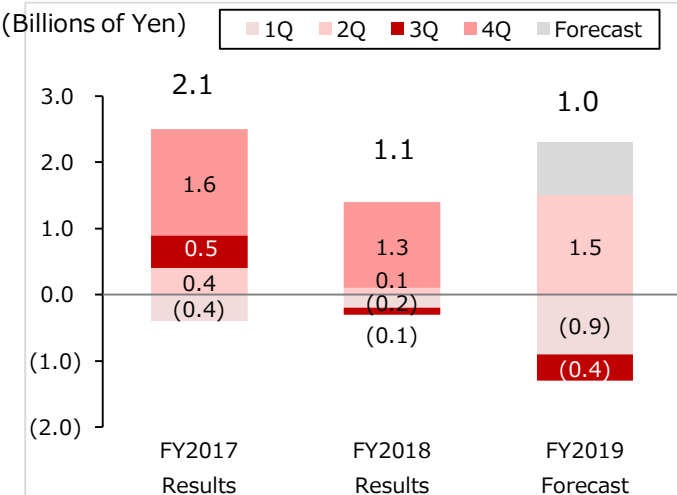
End of Mar. 2019
Total Asset
¥395.7bn

End of Dec. 2019
Total Asset
¥400.5bn

■ Current Assets ■ Non-current assets

Industrial Infrastructure & Urban Development

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



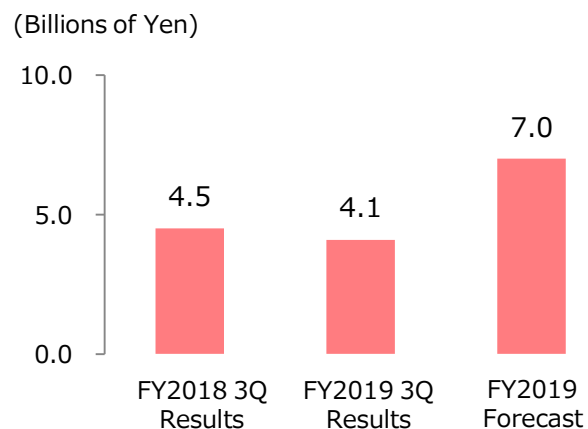
【Progress Overview】

Performance generally as forecast

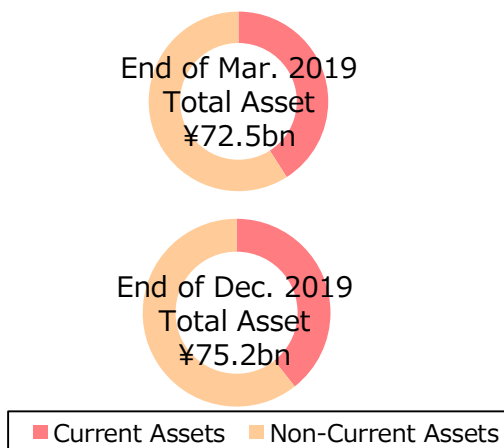


(Billions of Yen)	FY 2018 3Q Results	FY2019 3Q Results	Reasons for the Difference	FY2019 Forecast
Gross profit	4.5	4.1		7.0
Selling, general and administrative expenses	(4.2)	(4.2)		-
Share of profit (loss) of investments accounted for using the equity method	0.3	1.3		-
Profit for the period (attributable to owners of the Company)	(0.2)	0.2		1.0

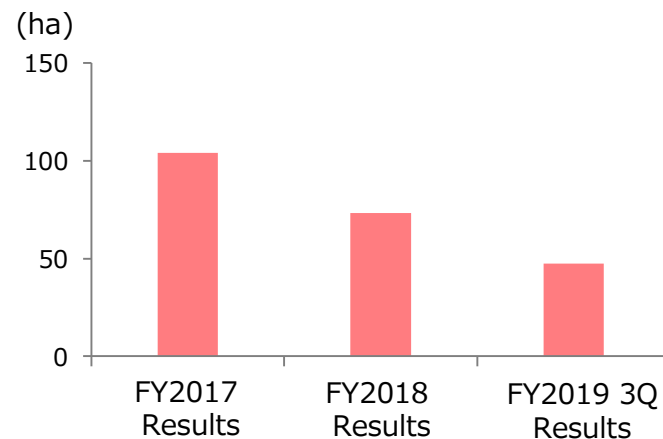
Gross profit



Asset Structure



Area of Turned Over Industrial Parks



Profit or Loss of Major Subsidiaries and Associates

(Billions of Yen)

Segment	Company	Subsidiary/ Associate	FY2018 3Q	FY2019 3Q	Difference
■ Automotive	Sojitz Autrans Corporation	Subsidiary	0.3	0.6	0.3
■ Automotive	Sojitz Automotive Group, Inc	Subsidiary	0.7	0.8	0.1
■ Automotive	Sojitz de Puerto Rico Corporation	Subsidiary	1.3	0.7	(0.6)
■ Automotive	Subaru Motor LLC	Subsidiary	(0.1)	(0.2)	(0.1)
■ Automotive	Sojitz Quality, Inc	Subsidiary	0.3	0.1	(0.2)
■ Aerospace & Transportation Project	Sojitz Aerospace Corporation	Subsidiary	0.4	0.8	0.4
■ Aerospace & Transportation Project	Sojitz Marine & Engineering Corporation	Subsidiary	0.4	0.4	0.0
■ Machinery & Medical Infrastructure	Sojitz Machinery Corporation	Subsidiary	0.5	0.8	0.3
■ Machinery & Medical Infrastructure	Sojitz Hospital PPP Investment B.V.	Subsidiary	1.4	2.4	1.0
■ Machinery & Medical Infrastructure	First Technology China Ltd.	Subsidiary	0.5	0.5	0.0
■ Energy & Social Infrastructure	Nissho Electronics Corporation	Subsidiary	0.4	0.5	0.1
■ Energy & Social Infrastructure	Tokyo Yuso Corporation	Subsidiary	0.3	0.3	0.0
■ Energy & Social Infrastructure	LNG Japan Corporation	Associate	1.0	1.7	0.7
■ Metals & Mineral Resources	Sojitz Coal Resources Pty. Ltd.	Subsidiary	6.5	1.9	(4.6)
■ Metals & Mineral Resources	Sojitz Moolarben Resources Pty. Ltd.	Subsidiary	3.2	1.4	(1.8)
■ Metals & Mineral Resources	Sojitz Resources (Australia) Pty. Ltd.	Subsidiary	1.3	0.0	(1.3)
■ Metals & Mineral Resources	Japan Alumina Associates (Australia) Pty. Ltd.	Associate	0.2	0.4	0.2
■ Metals & Mineral Resources	Metal One Corporation	Associate	7.4	6.3	(1.1)

*1 Associate = Equity in earnings

*2 The above figures are for profit (loss) for the period (attributable to owners of the Company), which is calculated in accordance with IFRS and therefore may differ from past figures released by these companies.

Profit or Loss of Major Subsidiaries and Associates

(Billions of Yen)

Segment	Company	Subsidiary/ Associate	FY2018 3Q	FY2019 3Q	Difference
Chemicals	Sojitz Pla-Net Corporation	Subsidiary	1.2	0.6	(0.6)
Chemicals	PT. Kaltim Methanol Industri	Subsidiary	3.6	2.4	(1.2)
Chemicals	solvadis deutschland gmbh	Subsidiary	0.3	0.1	(0.2)
Foods & Agriculture Business	Atlas Fertilizer Corporation	Subsidiary	0.4	0.5	0.1
Foods & Agriculture Business	Japan Vietnam Fertilizer Company	Subsidiary	0.3	0.2	(0.1)
Retail & Lifestyle Business	Sojitz Building Materials Corporation	Subsidiary	0.4	0.1	(0.3)
Retail & Lifestyle Business	Sojitz Foods Corporation	Subsidiary	2.0	1.8	(0.2)
Retail & Lifestyle Business	Sojitz Fashion Co., Ltd.	Subsidiary	0.6	0.5	(0.1)
Industrial Infrastructure & Urban	Sojitz New Urban Development Corporation	Subsidiary	(0.3)	0.2	0.5

*1 Associate = Equity in earnings

*2 The above figures are for profit (loss) for the period (attributable to owners of the Company), which is calculated in accordance with IFRS and therefore may differ from past figures released by these companies.

For information on the following listed companies, please refer to their respective corporate websites.

Energy & Social Infrastructure Division: SAKURA Internet Inc. (equity-method associate)

Chemicals Division: Pla Matels Corporation (consolidated subsidiary)

Foods & Agriculture Business Division: Fuji Nihon Seito Corporation (equity-method associate), Thai Central Chemical Public Company Limited (consolidated subsidiary)

Retail & Lifestyle Business Division: JALUX Inc. (equity-method associate), Tri-Stage Inc. (equity-method associate)

Industrial Infrastructure & Urban Development Division: PT. Puradelta Lestari. Tbk (equity-method associate)

【Supplemental Data】

Ⅱ . Summary of Financial Results

Summary of Profit or Loss (Results)

(Billions of Yen)	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 3Q
Net sales (JGAAP)	5,166.2	3,844.4	4,014.6	4,321.7	3,934.5	4,046.6	4,105.3	4,006.6	3,745.5	4,209.1	–	–
Revenue	–	–	–	2,006.6	1,747.8	1,803.1	1,809.7	1,658.1	1,555.3	1,816.5	1,856.2	1,318.6
Gross profit	235.6	178.2	192.7	217.1	187.2	198.2	197.7	180.7	200.7	232.4	241.0	159.4
Operating profit	52.0	16.1	37.5	57.5	25.5	23.7	33.6	29.2	51.6	59.8	–	–
Share of profit (loss) of investments accounted for using the equity method	2.5	9.2	19.3	16.3	15.8	31.0	28.6	23.2	12.7	25.1	27.8	18.5
Profit before tax	37.1	18.9	39.3	58.5	28.1	44.0	52.6	44.3	58.0	80.3	94.9	46.8
Profit for the year attributable to owners of the Company	19.0	8.8	16.0	(1.0)	13.4	27.3	33.1	36.5	40.8	56.8	70.4	37.5
Core earnings	48.3	14.4	41.9	65.8	38.5	68.0	66.3	41.6	54.2	90.8	93.2	45.8
ROA	0.8%	0.4%	0.7%	(0.0)%	0.6%	1.2%	1.5%	1.7%	1.9%	2.5%	3.0%	–
ROE	4.8%	2.6%	4.7%	(0.3)%	3.8%	6.5%	6.5%	6.8%	7.6%	10.0%	11.7%	–

(*) The Group adopted IFRSs from the fiscal year ended March 31, 2013. The figures above are based on Japanese GAAP for FY2008 through FY2010.

Summary of Balance Sheets (Results)

(Billions of Yen)	End of Mar. 2009	End of Mar. 2010	End of Mar. 2011	End of Mar. 2012	End of Mar. 2013	End of Mar. 2014	End of Mar. 2015	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of Mar. 2019	End of Dec. 2019
Total assets	2,313.0	2,160.9	2,117.0	2,190.7	2,150.1	2,220.2	2,297.4	2,056.7	2,138.5	2,350.4	2,297.1	2,352.0
Total equity	319.0	352.4	330.0	330.0	382.6	459.9	550.9	520.3	550.5	586.4	618.2	607.8
Equity ratio	13.8%	16.3%	15.6%	15.1%	17.8%	20.7%	24.0%	25.3%	25.7%	25.0%	26.9%	25.8%
Net interest-bearing debt	865.3	737.8	700.6	676.4	643.3	640.2	629.6	571.6	611.1	603.5	584.7	597.7
Net DER (times)	2.7	2.1	2.1	2.0	1.7	1.4	1.1	1.1	1.1	1.0	1.0	0.98
Risk assets (vs. Total equity, times)	350.0 1.1	320.0 0.9	310.0 0.9	330.0 1.0	340.0 0.9	350.0 0.8	320.0 0.6	330.0 0.6	320.0 0.6	350.0 0.6	360.0 0.6	370.0 0.6
Current ratio	141.7%	152.7%	142.2%	142.5%	152.1%	162.8%	169.5%	170.1%	171.3%	162.7%	157.1%	153.3%
Long-term debt ratio	66.7%	74.3%	72.3%	73.3%	76.0%	78.7%	79.9%	81.8%	82.9%	87.5%	82.9%	80.7%

(*) The Group adopted IFRSs from the fiscal year ended March 31, 2013. The figures above are based on Japanese GAAP for End of Mar. 2009 through 2011. Under JGAAP, Total equity is calculated as Total net assets – Minority interests.

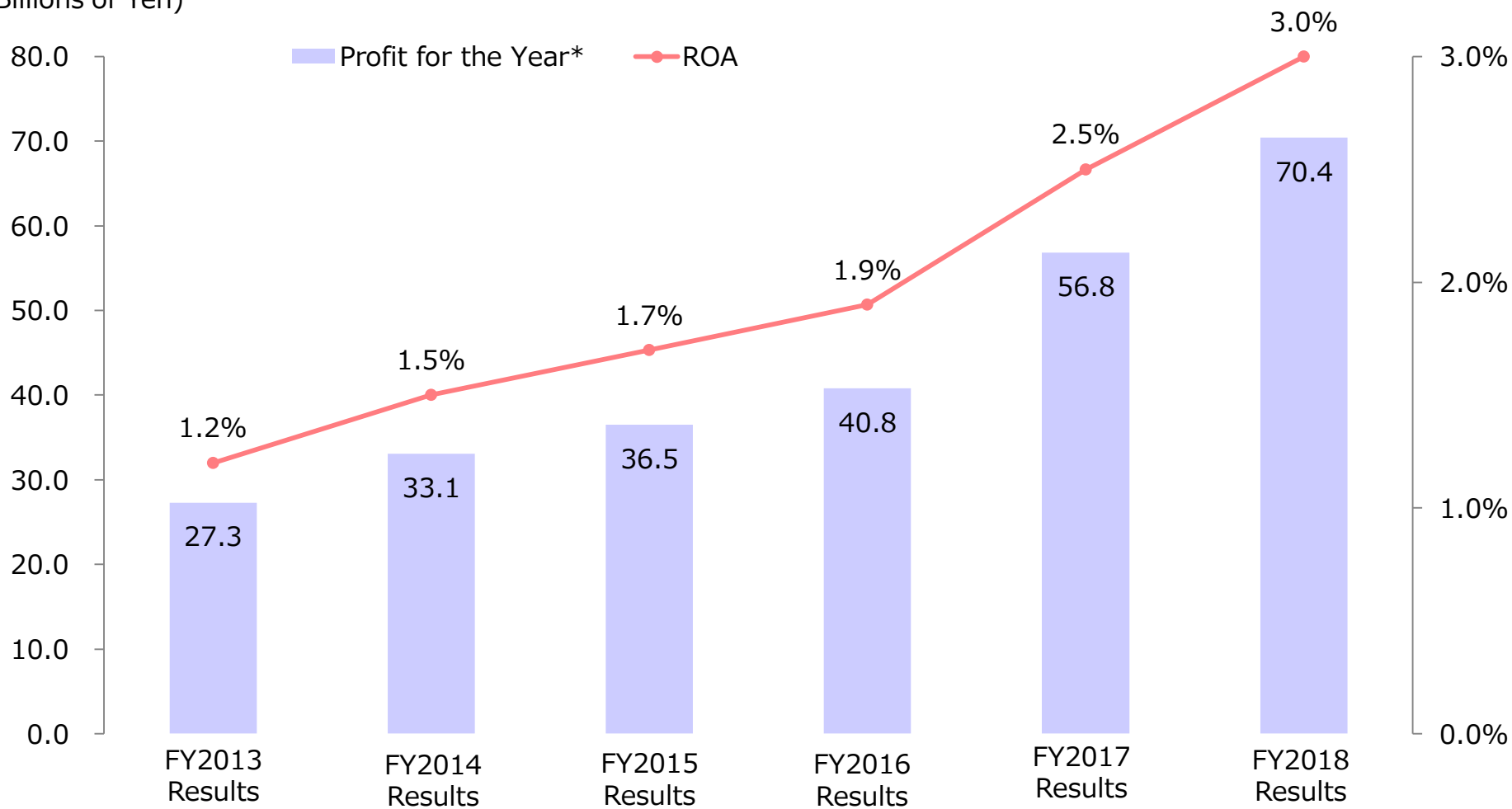
Summary of Cash Flow (Results)

(Billions of Yen)	End of Mar. 2009	End of Mar. 2010	End of Mar. 2011	End of Mar. 2012	End of Mar. 2013	End of Mar. 2014	End of Mar. 2015	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of Mar. 2019	End of Dec. 2019
Core cash flow	–	–	–	–	–	–	–	18.3	5.5	(56.7)	63.1	(1.5)
Free cash flow	86.5	135.7	48.0	46.4	43.4	22.5	25.3	66.0	(31.3)	12.4	54.3	19.3
Core operating cash flow	–	–	–	–	–	–	–	60.0	59.4	82.9	79.1	58.9
Cash flow from operating activities	103.7	107.2	67.9	88.7	55.1	47.0	39.1	99.9	0.9	98.8	96.5	54.5
Cash flow from investment activities	(17.2)	28.4	(19.9)	(42.3)	(11.7)	(24.5)	(13.8)	(33.9)	(32.2)	(86.4)	(42.2)	(35.2)
Cash flow from financing activities	(6.0)	(102.6)	(72.1)	(29.5)	(56.2)	(30.9)	(42.6)	(114.7)	(4.0)	(13.1)	(74.9)	(30.6)
Investments and loans	100.0	27.0	73.0	53.0	44.0	54.0	57.0	71.0	86.0	158.0	91.0	57.0

※ Core cash flow = Core operating cash flow + Investing cash flow (including asset replacement) – 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.)

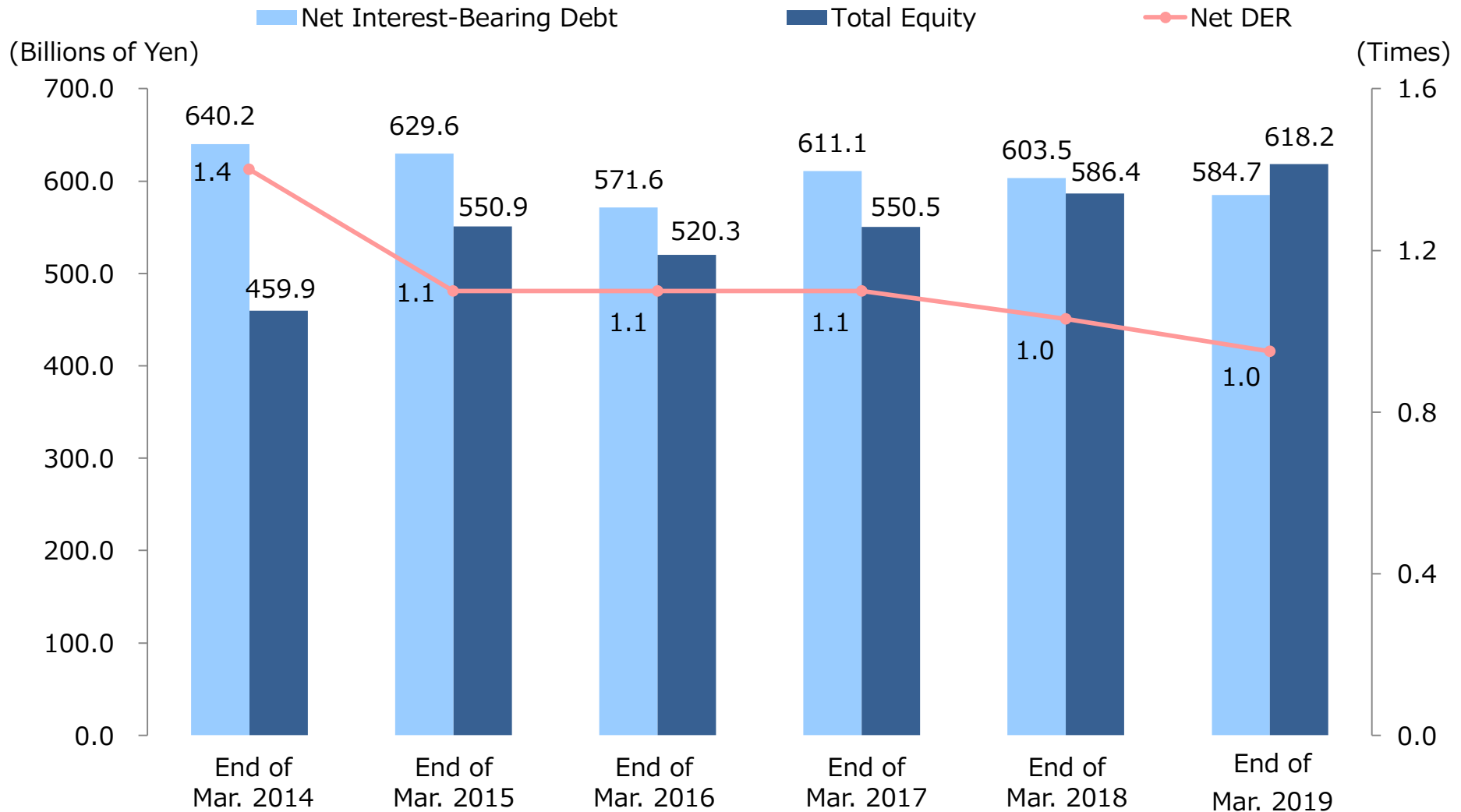
Summary of Profit or Loss

(Billions of Yen)



* Attributable to owners of the Company

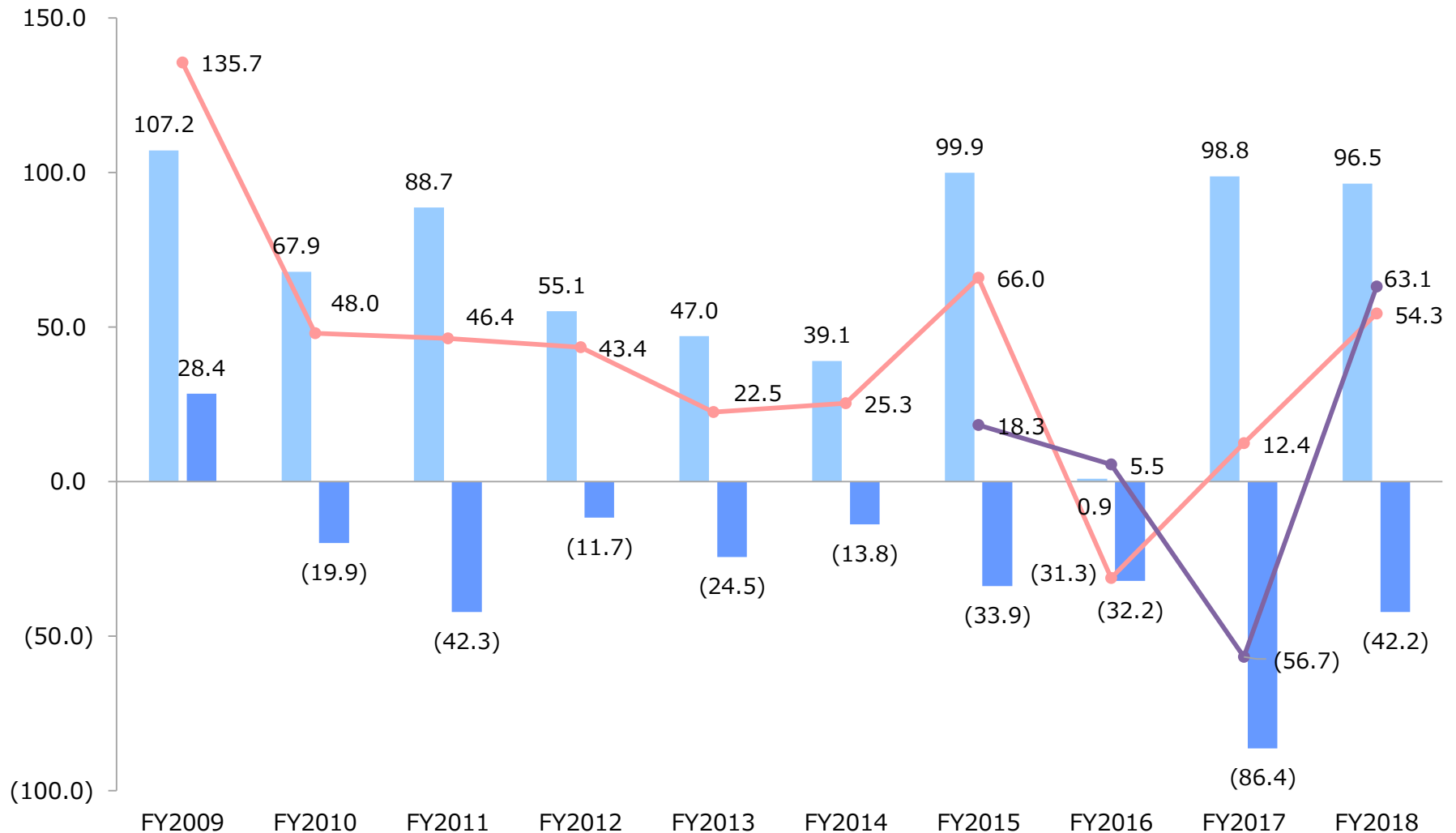
Summary of Balance Sheets



Summary of Cash Flow

(Billions of Yen)

■ Cash flows from operating activities
 ■ Cash flows from investing activities
● Free cash flow
 ● Core cash flow





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New way, New value

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

Company representative: Masayoshi Fujimoto, President & CEO

Contact information: Yoichi Yanagisawa, GM, Public Relations Dept. TEL +81-3-6871-3404

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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the third quarter ended 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
	Yen	Yen
For the third quarter ended 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
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of 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				
	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	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 to 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 Union 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 comprehensive 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 comprehensive 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					
	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				(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

(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.