Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2019 (IFRS)

August 1, 2019

Sojitz Corporation

Results Highlights

◆ In the three-month period ended June 30, 2019, there was a rising sense of uncertainty in the global economy because of the trade friction between the United States and China as well as the deceleration of the Chinese economy that arose due in part to this friction. Looking ahead, ongoing caution is warranted with regard to the aforementioned trade friction, the United Kingdom's withdrawal from the European Union, situation in the Middle East, and the monetary policies of the United States.
The Company's revenue for three-month period ended June 30, 2019, was down year on year due to lower revenue in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses, and in the Chemicals Division, a result of declines in price of methanol and lower transaction volumes of plastic resins.
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 437.4 billion yen ((30.5) billion yen / (6.5)%)

- Decrease in revenue in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses
- Decrease in revenue in the Chemicals Division due to declines in price of methanol

Gross profit 54.9 billion yen ((5.0) billion yen / (8.3)%)

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

Profit for the period (attributable to owners of the Company)
14.3 billion yen ((5.5) billion yen / (27.8)%)

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

(Reference)

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

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

Profit for the year (attributable to owners of the Company)
72.0 billion yen

(Assumptions)
Exchange rate (annual average: JPY/US$) : 110

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

Interim : 8.50 yen per share (forecast)
Year-end : 8.50 yen per share (forecast)

*1 Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method

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

*3 Core cash flow = Core operating cash flow + Post-adjustment net cash provided by (used in) investing activities – Dividends paid
(Post-adjustment net cash provided by(used in) investing activities is net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)

* Caution regarding forward-looking statements
This document contains forward-looking statements based on information available to the Company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by these 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

(Billions of yen)

	FY2019 1Q Results a	FY2018 1Q Results b	Difference a-b	Reasons for the Difference	FY2019 Forecast c	Percentage Achieved a/c
Revenue	437.4	467.9	(30.5)	Revenue: change in segment Metals & Mineral Resources (14.7) Chemicals (11.4) Energy & Social Infrastructure (3.9)		
Gross profit	54.9	59.9	(5.0)	Gross profit: change in segment Metals & Mineral Resources (2.2) Foods & Agriculture Business (1.3) Retail & Lifestyle Business (0.6)	260.0	21%
Selling, general and administrative expenses						
Personnel expenses	(24.3)	(24.1)	(0.2)			
Non-personnel expenses	(14.7)	(16.9)	2.2	Effect of application of new IFRS standard (Leases)		
Depreciation	(3.8)	(1.7)	(2.1)			
Provision of allowance for doubtful accounts	0.0	0.0	0.0			
Total selling, general and administrative expenses	(42.8)	(42.7)	(0.1)		(182.5)	
Other income/expenses						
Gain/loss on sale and disposal of fixed assets, net	0.0	0.4	(0.4)			
Impairment loss on fixed assets	0.0	(0.1)	0.1			
Gain on reorganization of subsidiaries/associates	0.0	6.1	(6.1)	Sale of automobile-related company, Sale of solar power generation business company		
Loss on reorganization of subsidiaries/associates	0.0	(0.9)	0.9			
Other operating income/expenses	(0.2)	(0.6)	0.4			
Total other income/expenses	(0.2)	4.9	(5.1)		0.0	
Financial income/costs						
Interest earned	1.8	1.7	0.1			
Interest expenses	(3.9)	(4.2)	0.3			
Interest expenses, net	(2.1)	(2.5)	0.4			
Dividends received	1.6	1.9	(0.3)			
Other financial income/costs	(0.1)	0.2	(0.3)			
Financial income/costs, net	(0.6)	(0.4)	(0.2)		(8.5)	
Share of profit (loss) of investments accounted for using the equity method	6.8	5.6	1.2		28.0	
Profit before tax	18.1	27.3	(9.2)		97.0	19%
Income tax expenses	(2.7)	(5.9)	3.2		(20.0)	
Profit for the period	15.4	21.4	(6.0)		77.0	20%
(Profit attributable to)						
Owners of the Company	14.3	19.8	(5.5)		72.0	20%
Non-controlling interests	1.1	1.6	(0.5)		5.0	
Core earnings*1	18.4	22.2	(3.8)		97.0	

Consolidated Statements of Financial Position

(Billions of yen)

	Jun. 30, 2019 d	Mar. 31, 2019 e	Difference d-e	Reasons for the Difference
Current assets	1,269.2	1,267.7	1.5	
Cash and cash equivalents	289.2	285.7	3.5	
Time deposits	2.4	2.9	(0.5)	
Trade and other receivables	682.5	690.7	(8.2)	
Inventories	220.1	220.6	(0.5)	
Other current assets	75.0	67.8	7.2	
Non-current assets	1,079.3	1,029.4	49.9	
Property, plant and equipment	186.4	192.9	(6.5)	
Lease assets (usage rights assets)	69.8	-	69.8	Increase due to application of new IFRS standard (Leases)
Goodwill	65.9	66.2	(0.3)	
Intangible assets	47.5	49.1	(1.6)	
Investment property	20.9	20.9	0.0	
Investments accounted for using the equity method	585.6	597.3	(11.7)	
Other non-current assets	103.2	103.0	0.2	
Total assets	2,348.5	2,297.1	51.4	
Current liabilities	818.7	807.2	11.5	
Trade and other payables	562.1	582.4	(20.3)	Decrease in machinery-related business
Lease liabilities	13.6	-	13.6	Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	168.0	149.7	18.3	Increase due to new borrowings
Other current liabilities	75.0	75.1	(0.1)	
Non-current liabilities	884.2	828.4	55.8	
Lease liabilities	61.3	-	61.3	Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	726.4	723.6	2.8	
Retirement benefit liabilities	22.0	22.1	(0.1)	
Other non-current liabilities	74.5	82.7	(8.2)	
Total liabilities	1,702.9	1,635.6	67.3	
Share capital	160.3	160.3	-	
Capital surplus	146.7	146.6	0.1	
Treasury stock	(0.9)	(0.9)	0.0	
Other components of equity	90.4	107.6	(17.2)	Decrease due to change in foreign exchange rates and stock prices
Retained earnings	205.2	204.6	0.6	Profit for the period +14.3 Dividends (11.9)
Total equity attributable to owners of the Company	601.7	618.2	(16.5)	
Non-controlling interests	43.9	43.3	0.6	
Total equity	645.6	661.5	(15.9)	
Total liabilities and equity	2,348.5	2,297.1	51.4	

Gross interest-bearing debt*	894.4	873.3	+21.1
Net interest-bearing debt*	602.8	584.7	+18.1
Net debt/equity ratio (times)**	1.00	0.95	+0.05
Equity ratio**	25.6%	26.9%	(1.3)%
Current ratio	155.0%	157.1%	(2.1)%
Long-term debt ratio	81.2%	82.9%	(1.7)%

* 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."

Comprehensive Income

(Billions of yen)

	FY2019 1Q Results a	FY2018 1Q Results b	Difference a-b
Profit for the period	15.4	21.4	(6.0)
Other comprehensive income	(17.0)	(8.8)	(8.2)
Total comprehensive income for the period	(1.6)	12.6	(14.2)
Comprehensive income attributable to;			
Owners of the Company	(2.4)	11.2	(13.6)
Non-controlling interests	0.8	1.4	(0.6)

Cash Flows

(Billions of yen)

	FY2019 1Q Results a	FY2018 1Q Results b	Difference a-b	Factors Affecting Circled Figures
Cash flows from operating activities	6.3	(98.3)	104.6	Inflows from business earnings and dividend income
Cash flows from investing activities	(9.7)	(8.4)	(1.3)	Outflows for investment in offshore wind power generation business in Taiwan and airport operations business
Free cash flows	(3.4)	(106.7)	103.3	
Cash flows from financing activities	8.7	79.4	(70.7)	Inflows from new borrowings
Core operating cash flow*2	22.2	20.8	1.4	
Core cash flow*3	(5.6)	5.5	(11.1)	