

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2020 (IFRS)

August 4, 2020
Sojitz Corporation

Results Highlights

◆ In the three-month period ended June 30, 2020, the movement of people and commodities was greatly restricted by the global COVID-19 pandemic. Although economic activities are gradually being resumed, the speed of recovery is unclear and there is concern regarding the possibility of further stagnation due to a potential second wave of infections. The Company's revenue for the three-month period ended June 30, 2020, was down due to reduced revenue in the Automotive Division, a result of decreases in sales volumes in overseas automobile operations; in the Chemicals Division, a result of falling methanol prices and lower synthetic resin transactions; and in the Metals & Mineral Resources Division, a result of declines in prices and transaction volumes for coal and other resources. Profit for the period (attributable to owners of the Company) decreased year on year as a result of declines in gross profit and share of profit of investments accounted for using the equity method.

The impact of these declines could not be counteracted by the benefits of reductions in non-personnel expenses and other selling, general and administration expenses and an improved balance of other income and expenses due in part to a gain on the partial sale of a natural gas-fired power project company.

(Figures in parentheses are year-on-year changes)

Revenue 349.3 billion yen ((88.1) billion yen / (20.2)%)

- Decrease in revenue in the Automotive Division due to lower sales volumes in overseas automobile operations
- Decrease in revenue in the Chemicals Division due to declines in the price of methanol and lower transaction volumes of plastic resins
- Decrease in revenue in the Metals & Mineral Resources Division due to lower prices and transaction volumes for coal and other resources

Gross profit 39.0 billion yen ((15.9) billion yen / (29.0)%)

- Decrease in revenue in the Automotive Division due to lower sales volumes in overseas automobile operations
- Decrease in gross profit in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses and gain on sales of assets recorded at the end of the previous fiscal year
- Decrease in gross profit in the Chemical Division due to declines in the price of methanol

Profit for the period (attributable to owners of the Company) 2.4 billion yen ((11.9) billion yen / (83.3)%)

- Decrease in gross profit
- Decrease in share of profit (loss) of investments accounted for using the equity method

◆ **Earnings forecast for the fiscal year ending March 31, 2021**

Full-year earnings forecasts were revised as follows.

	FY2020 Initial Forecast	FY2020 Revised Forecast (August 4, 2020)
Gross profit	210.0 billion yen	⇒ 203.0 billion yen
Profit before tax	56.0 billion yen	⇒ 44.0 billion yen
Profit for the year	40.0 billion yen	⇒ 30.0 billion yen

(Assumptions)

Exchange rate (annual average: ¥/US\$) : 108

◆ **Cash dividends per share for the fiscal year ending March 31, 2021 (forecast)**

Interim : 5.00 yen per share
Year-end : 5.00 yen per share

*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 are 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. Actual results may differ materially based on various factors, including the timing at which the COVID-19 pandemic ends; 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

	FY2020 1Q		Difference a-b	Reasons for the Difference	(Billions of yen)	
	Results a	Results b			FY2020 Revised Forecast c	Percentage Achieved a/c
Revenue	349.3	437.4	(88.1)	Revenue: change in segment		
				Automotive (35.7)		
				Chemicals (23.9)		
				Metals & Mineral Resources (14.3)		
Gross profit	39.0	54.9	(15.9)	Gross profit: change in segment		
				Automotive (6.0)	203.0	19%
				Metals & Mineral Resources (4.6)		
				Chemicals (3.7)		
Selling, general and administrative expenses						
Personnel expenses	(23.4)	(24.3)	0.9			
Non-personnel expenses	(11.2)	(14.7)	3.5			
Depreciation	(4.3)	(3.8)	(0.5)			
Provision of allowance for doubtful accounts	0.1	0.0	0.1			
(Total selling, general and administrative expenses)	(38.8)	(42.8)	4.0		(165.0)	
Other income/expenses						
Gain/loss on sale and disposal of fixed assets, net	0.0	0.0	0.0			
Impairment loss on fixed assets	0.0	0.0	0.0			
Gain on reorganization of subsidiaries/associates	2.2	0.0	2.2	Partial sale of a natural gas-fired power project company		
Loss on reorganization of subsidiaries/associates	0.0	0.0	0.0			
Other operating income/expenses	(0.6)	(0.2)	(0.4)			
(Total other income/expenses)	1.6	(0.2)	1.8		(2.0)	
Financial income/costs						
Interest earned	1.2	1.8	(0.6)			
Interest expenses	(3.2)	(3.9)	0.7			
(Interest expenses, net)	(2.0)	(2.1)	0.1			
Dividends received	1.1	1.6	(0.5)			
Other financial income/costs	0.0	(0.1)	0.1			
(Financial income/costs, net)	(0.9)	(0.6)	(0.3)		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	1.7	6.8	(5.1)	Lower profit from steel operating company	13.0	
Profit before tax	2.6	18.1	(15.5)		44.0	6%
Income tax expenses	0.1	(2.7)	2.8		(12.0)	
Profit for the period (Profit attributable to)	2.7	15.4	(12.7)		32.0	8%
Owners of the Company	2.4	14.3	(11.9)		30.0	8%
Non-controlling interests	0.3	1.1	(0.8)		2.0	
Core earnings*1	0.9	18.4	(17.5)		46.0	

Comprehensive Income

	FY2020 1Q		Difference a-b
	Results a	Results b	
Profit for the period	2.7	15.4	(12.7)
Other comprehensive income	1.6	(17.0)	18.6
Total comprehensive income for the period	4.3	(1.6)	5.9
Comprehensive income attributable to:			
Owners of the Company	3.2	(2.4)	5.6
Non-controlling interests	1.1	0.8	0.3

Cash Flows

	FY2020 1Q		Difference a-b	Factors Affecting Circled Figures
	Results a	Results b		
Cash flows from operating activities	15.7	6.3	9.4	Inflows from business earnings and dividend income
Cash flows from investing activities	2.9	(9.7)	12.6	Partial sale of a natural gas-fired power project company
Free cash flow	18.6	(3.4)	22.0	
Cash flows from financing activities	9.5	8.7	0.8	Inflows from new borrowings on a non-consolidated basis and outflows due to dividends paid and purchase of treasury stock
Core operating cash flow*2	10.9	22.2	(11.3)	
Core cash flow*3	(3.5)	(5.6)	2.1	

Consolidated Statements of Financial Position

	Jun. 30,		Difference d-e	Reasons for the Difference
	2020 d	Mar. 31, 2020 e		
Current assets	1,197.9	1,217.5	(19.6)	
Cash and cash equivalents	302.0	272.7	29.3	
Time deposits	5.8	7.4	(1.6)	
Trade and other receivables	599.3	638.1	(38.8)	Decreases in Chemicals and Automotive
Inventories	210.2	213.4	(3.2)	
Other current assets	80.6	85.9	(5.3)	
Non-current assets	1,010.1	1,012.8	(2.7)	
Property, plant and equipment	164.9	158.0	6.9	
Lease assets (usage rights assets)	73.1	74.1	(1.0)	
Goodwill	67.5	66.5	1.0	
Intangible assets	46.9	43.4	3.5	
Investment property	12.9	18.6	(5.7)	
Investments accounted for using the equity method	548.0	554.7	(6.7)	
Other non-current assets	96.8	97.5	(0.7)	
Total assets	2,208.0	2,230.3	(22.3)	
Current liabilities	722.7	754.4	(31.7)	
Trade and other payables	446.9	481.7	(34.8)	Decreases in Chemicals and Automotive
Lease liabilities	15.4	15.3	0.1	
Bonds and borrowings	193.3	186.8	6.5	
Other current liabilities	67.1	70.6	(3.5)	
Non-current liabilities	879.9	854.0	25.9	
Lease liabilities	62.2	63.7	(1.5)	
Bonds and borrowings	727.8	706.5	21.3	
Retirement benefit liabilities	22.1	22.1	0.0	
Other non-current liabilities	67.8	61.7	6.1	
Total liabilities	1,602.6	1,608.4	(5.8)	
Share capital	160.3	160.3	-	
Capital surplus	146.8	146.8	0.0	
Treasury stock	(15.9)	(10.9)	(5.0)	Purchase of treasury stock
Other components of equity	50.5	49.8	0.7	
Retained earnings	225.4	233.1	(7.7)	Profit for the year +2.4, Dividends (10.4)
Total equity attributable to owners of the Company	567.1	579.1	(12.0)	
Non-controlling interests	38.3	42.8	(4.5)	
Total equity	605.4	621.9	(16.5)	
Total liabilities and equity	2,208.0	2,230.3	(22.3)	
Gross interest-bearing debt*	921.1	893.3	+27.8	* Lease liabilities (under current liabilities and non-current liabilities) have been excluded from the calculations of gross interest-bearing debt and net interest-bearing debt.
Net interest-bearing debt*	613.3	613.2	+0.1	
Net debt/equity ratio (times)**	1.08	1.06	+0.02	
Equity ratio**	25.7%	26.0%	(0.3)ppt	
Current ratio	165.7%	161.4%	4.3ppt	** 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."
Long-term debt ratio	79.0%	79.1%	(0.1)ppt	

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2020 (IFRS) — Supplementary Materials

August 4, 2020
Sojitz Corporation

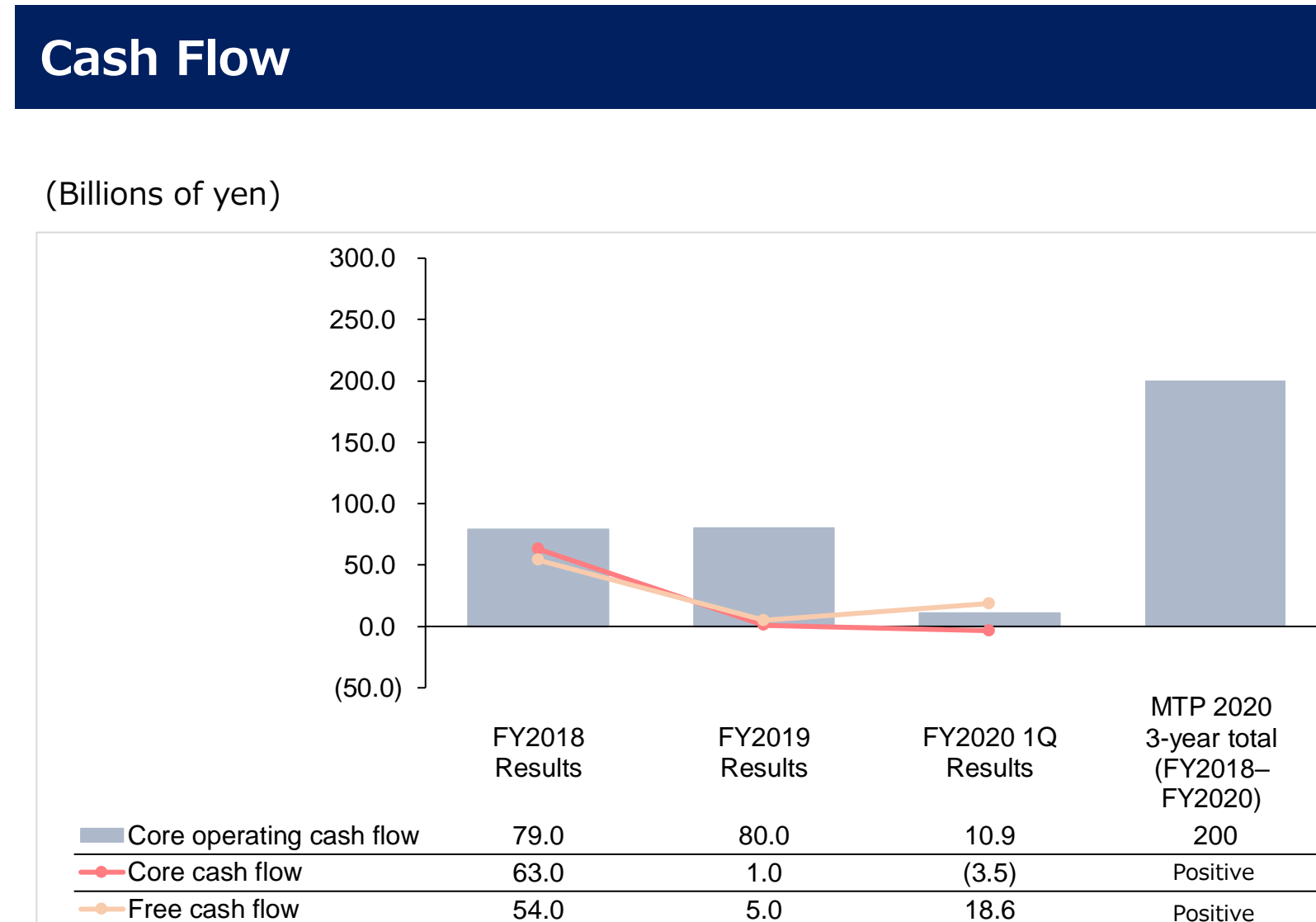
(Billions of yen)													(Billions of yen)					
Operating Results					Segment Performance [Gross Profit]				Segment Performance [Profit for the Period (Attributable to Owners of the Company)]									
	FY2020 1Q Results	FY2019 1Q Results	Difference	FY2020 Revised Forecast (Aug. 4, 2020)	Percentage Achieved		FY2020 1Q	FY2019 1Q	Difference	FY2020 Revised Forecast (Aug. 4, 2020)		FY2020 1Q	FY2019 1Q	Difference	Main Factors Behind Difference	FY2020 Revised Forecast (Aug. 4, 2020)	Progress Overview	(Reference) FY2020 Initial Forecast
Revenue	349.3	437.4	(88.1)	-	-													
Gross profit	39.0	54.9	(15.9)	203.0	19%	Automotive	4.9	10.9	(6.0)	35.0		(1.8)	1.5	(3.3)	Decreased due to reduced automobile sales as a result of the global COVID-19 pandemic	1.0	Performance expected to be in line with forecasts as sales activities are ramped up centered on regions in which operations are being resumed	1.0
Selling, general and administrative expenses	(38.8)	(42.8)	+4.0	(165.0)		Aerospace & Transportation Project	2.4	3.0	(0.6)	19.0		(0.5)	0.2	(0.7)	Decreased due to reduced aircraft related transactions	6.0	Earnings contributions projected from aircraft businesses and large-scale projects	6.0
Other income/expenses	1.6	(0.2)	+1.8	(2.0)		Machinery & Medical Infrastructure	2.8	2.9	(0.1)	13.0		1.1	0.3	+0.8	Increased due to higher returns from medical infrastructure business and industrial machinery transactions	3.5	Performance generally as forecast	3.5
Financial income/costs	(0.9)	(0.6)	(0.3)	(5.0)		Energy & Social Infrastructure	3.0	4.4	(1.4)	20.0		1.8	0.3	+1.5	Increased due to gains on asset replacement in power generation businesses	3.5	Performance generally as forecast	3.5
Share of profit (loss) of investments accounted for using the equity method	1.7	6.8	(5.1)	13.0		Metals & Mineral Resources	2.9	7.5	(4.6)	13.0		(2.0)	7.1	(9.1)	Decreased due to steel demand declines and coal market stagnated as a result of the global COVID-19 pandemic	3.0	Revision of initial forecasts to reflect projected prolongation of steel demand declines and coal market stagnancy	13.0
Profit before tax	2.6	18.1	(15.5)	44.0	6%	Chemicals	7.7	11.4	(3.7)	39.0		0.0	2.3	(2.3)	Decreased due to impacts of the drop in methanol price as a result of the global COVID-19 pandemic	5.0	Performance expected to be in line with forecasts due to Chinese economy bounces back into growth and earnings contributions from methanol businesses	5.0
Profit for the period (Profit attributable to)	2.7	15.4	(12.7)	32.0	8%	Foods & Agriculture Business	5.5	4.0	+1.5	16.0		2.0	0.7	+1.3	Increased due to improved profitability stemming from lower production costs as well as higher sales volumes in overseas fertilizer businesses	3.0	Performance generally as forecast	3.0
Owners of the Company	2.4	14.3	(11.9)	30.0	8%	Retail & Lifestyle Business	7.6	9.0	(1.4)	37.0		0.6	1.1	(0.5)	Decreased due to halted operation of commercial facilities as a result of the global COVID-19 pandemic	5.5	Need to monitor domestic consumption trends, but performance expected to be in line with forecasts as a result of projected asset replacement activities	5.5
Non-controlling interests	0.3	1.1	(0.8)	2.0		Industrial Infrastructure & Urban Development	1.3	0.8	+0.5	6.0		(0.6)	(0.9)	+0.3	Relatively unchanged year on year	0.5	Performance generally as forecast	0.5
Core earnings*1	0.9	18.4	(17.5)	46.0		Other	0.9	1.0	(0.1)	5.0		1.8	1.7	+0.1		(1.0)		(1.0)
Comprehensive income attributable to owners of the Company	3.2	(2.4)	+5.6	-		Total	39.0	54.9	(15.9)	203.0		2.4	14.3	(11.9)		30.0		40.0

*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				
	Jun. 30, 2020	Mar. 31, 2020	Difference	Mar. 31, 2021 Forecast
Total assets	2,208.0	2,230.3	(22.3)	2,300.0
Total equity*2	567.1	579.1	(12.0)	600.0
Equity ratio	25.7%	26.0%	(0.3)ppt	26.1%
Net interest-bearing debt*3	613.3	613.2	+0.1	680.0
Net D/E ratio (times)	1.08	1.06	+0.02	1.1
Risk assets	360.0	380.0	(20.0)	-
Ratio of risk assets to equity (times)	0.6	0.7	(0.1)	-

*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.



Note: As of the end of June 30, 2020, in addition to cash in bank of ¥300 billion, 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\$0.55 billion has been used) so as to enhance supplemental sources of procurement flexibility and precautionary liquidity.

Commodity Prices and Exchange Rates				
	FY2019 Results (Apr.-Jun. '19 Avg.)	FY2020 Assumption (Annual Avg.) ⇒ Revised Forecast	FY2020 Results (Apr.-Jun. '20 Avg.)	Latest Data (As of July 29, 2020)
Crude oil (Brent)	US\$68.4/bbl	US\$25.0/bbl (1H) US\$35.0/bbl (2H)	US\$33.4/bbl	US\$43.8/bbl
Thermal coal**1	US\$80.2/t	US\$63.8/t ⇒ US\$58.0/t	US\$54.4/t	US\$50.7/t
Coking coal**1	US\$203.7/t	US\$135.0/t ⇒ US\$125.0/t	US\$119.0/t	US\$111.5/t
Exchange rate**2	¥109.7/US\$	¥108.0/US\$	¥107.4/US\$	¥105.1/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. ¥0.2 billion annually, and total equity by approx. ¥2.0 billion annually.

Effects of COVID-19 Pandemic (Update)	
[Assumptions at the beginning of FY2020]	Limitations on movements of people and commodities as a result of the global COVID-19 pandemic to continue for three months (until June 2020).
[Current conditions]	<ul style="list-style-type: none"> Impacts of global COVID-19 pandemic on decreased steel demand and coal and other resource prices beyond initially assumed; may continue throughout the fiscal year All other segments are generally in line with our expectations, although there have been increases and decreases by region and business. Need to monitor global economic trends, such as prolongation of stagnancy due to second waves of COVID-19 infections, and impacts on Sojitz's business.