

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2020 (IFRS)

February 3, 2021
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2020, COVID-19 cases once again began to increase centered on the United States and Europe, prompting countries to place restrictions on economic activities and thereby stunting the recovery of the global economy. There is hope that future rollouts of COVID-19 vaccines and treatments could spark economic recovery, but the ongoing rise in case numbers in the United States and Europe coupled with the emergence of new strains of the COVID-19 virus has resulted in an ongoing sense of uncertainty with regard to the economy.

The Company's revenue for the nine-month period ended December 31, 2020, was down year on year. Despite the recent recovery in the price of methanol, the lingering impacts of the sluggish prices for this commodity seen in the first quarter continued to depress the revenue. Other factors behind the decrease in revenue include reduced revenue in the Chemicals Division, a result of lower plastic resin transactions in the Chemicals Division, in the Automotive Division, a result of decreases in sales volumes in overseas automobile operations; and in the Retail & Lifestyle Business Division, a result of lower lumber transactions.

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 offset by the benefits of reductions in non-personnel expenses and other selling, general and administrative expenses and an improved balance of other income and expenses due to the sale of a shopping mall, the acquisition of an additional stake in a solar power generation business company and partial sale of a natural gas-fired power project company.

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

Revenue 1,159.7 billion yen ((158.9) billion yen / (12.1)%)

- Decrease in revenue in the Chemical Division due to declines in the price of methanol and lower transaction volumes of plastic resins
- Decrease in revenue in the Automotive Division due to lower sales units in overseas automobile operations
- Decrease in revenue in the Retail & Lifestyle Business Division due to lower lumber transactions

Gross profit 132.5 billion yen ((26.9) billion yen / (16.9)%)

- Decrease in gross profit in the Metals & Mineral Resources Division due to declines in coal prices and the sold a part of coal interests recorded at the end of the previous fiscal year
- Decrease in revenue in the Automotive Division due to lower sales units in overseas automobile operations
- Decrease in revenue in the Chemical Division due to declines in the price of methanol and lower transaction volumes of plastic resins

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

16.7 billion yen ((20.8) billion yen / (55.4)%)

- 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 Revised Forecast (Aug. 4, 2020)	FY2020 Revised Forecast (Feb. 3, 2021)
Gross profit	203.0 billion yen	⇒ 200.0 billion yen
Profit before tax	44.0 billion yen	⇒ 43.0 billion yen
Profit for the year (attributable to owners of the Company)	30.0 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

Interim : 5.00 yen per share
Year-end : 5.00 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 = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes

*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. 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 9-month			FY2019 9-month		Factors Affecting Circled Figures	FY2020 Revised Forecast c	Percentage Achieved a/c
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Revenue	1,159.7	744.6	415.1	1,318.6	(158.9)			
Gross profit	132.5	84.5	48.0	159.4	(26.9)		200.0	66%
Selling, general and administrative expenses								
Personnel expenses	(70.3)	(47.0)	(23.3)	(73.2)	2.9			
Non-personnel expenses	(36.4)	(23.5)	(12.9)	(44.1)	7.7			
Depreciation	(12.9)	(8.6)	(4.3)	(12.3)	(0.6)			
Provision of allowance for doubtful accounts	0.1	0.1	0.0	(0.3)	0.4			
(Total selling, general and administrative expenses)	(119.5)	(79.0)	(40.5)	(129.9)	10.4		(164.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	2.9	2.1	0.8	2.7	0.2			Sale of shopping mall
Impairment loss on fixed assets	0.0	0.0	0.0	(0.5)	0.5			Solar power generation business company and Natural gas-fired power project company
Gain on reorganization of subsidiaries/associates	3.9	2.2	1.7	0.9	3.0			
Loss on reorganization of subsidiaries/associates	(0.3)	(0.1)	(0.2)	(0.2)	(0.1)			
Other operating income/expenses	(0.5)	(0.5)	0.0	(1.6)	1.1			
(Total other income/expenses)	6.0	3.7	2.3	1.3	4.7		(1.0)	
Financial income/costs								
Interest earned	4.2	3.0	1.2	5.1	(0.9)			
Interest expenses	(9.1)	(6.2)	(2.9)	(11.2)	2.1			
(Interest expenses, net)	(4.9)	(3.2)	(1.7)	(6.1)	1.2			
Dividends received	2.3	1.5	0.8	3.6	(1.3)			
Other financial income/costs	(0.2)	(0.1)	(0.1)	0.0	(0.2)			
(Financial income/costs, net)	(2.8)	(1.8)	(1.0)	(2.5)	(0.3)		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	7.9	4.6	3.3	18.5	(10.6)		13.0	Lower profit from steel operating company
Profit before tax	24.1	12.0	12.1	46.8	(22.7)		43.0	56%
Income tax expenses	(5.4)	(1.5)	(3.9)	(6.0)	0.6		(11.0)	
Profit for the period (Profit attributable to)	18.7	10.5	8.2	40.8	(22.1)		32.0	58%
Owners of the Company	16.7	9.1	7.6	37.5	(20.8)		30.0	56%
Non-controlling interests	2.0	1.4	0.6	3.3	(1.3)		2.0	
Core earnings*1	18.2	8.3	9.9	45.8	(27.6)		44.0	

Comprehensive Income

	FY2020 9-month			FY2019 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	18.7	10.5	8.2	40.8	(22.1)
Other comprehensive income	3.9	(3.8)	7.7	(19.8)	23.7
Total comprehensive income for the period	22.6	6.7	15.9	21.0	1.6
Comprehensive income attributable to:					
Owners of the Company	20.7	5.7	15.0	17.5	3.2
Non-controlling interests	1.9	1.0	0.9	3.5	(1.6)

Cash Flows

	FY2020 9-month		FY2019 9-month		Factors Affecting Circled Figures
	Results a	Results b	Results a	Results b	
Cash flows from operating activities	81.5	54.5	27.0	27.0	Reductions in working capital, inflows from business earnings and dividend income
Cash flows from investing activities	(20.2)	(35.2)	15.0	15.0	Outflows due to purchase of fixed assets and investments, inflows from the sale of shopping mall
Free cash flows	61.3	19.3	42.0	42.0	
Cash flows from financing activities	(69.5)	(30.6)	(39.0)	(39.0)	Outflows due to repayment of borrowings
Core operating cash flow*2	39.2	58.9	(19.7)	(19.7)	
Core cash flow*3	5.2	(1.5)	6.7	6.7	

Consolidated Statements of Financial Position

	FY2020 9-month			FY2019 9-month		Factors Affecting Circled Figures
	Results a	1H Results	3Q Results	Results b	Difference a-b	
Current assets	1,167.1	1,217.5	(50.4)			
Cash and cash equivalents	265.7	272.7	(7.0)			
Time deposits	18.1	7.4	10.7			
Trade and other receivables	632.0	638.1	(6.1)			
Inventories	176.3	213.4	(37.1)			Decrease in Automotive and Coal
Other current assets	75.0	85.9	(10.9)			
Non-current assets	1,036.3	1,012.8	23.5			
Property, plant and equipment	176.6	158.0	18.6			Solar power generation business company
Lease assets (usage rights assets)	69.6	74.1	(4.5)			
Goodwill	66.9	66.5	0.4			
Intangible assets	59.4	43.4	16.0			Solar power generation business company
Investment property	11.7	18.6	(6.9)			
Investments accounted for using the equity method	555.1	554.7	0.4			
Other non-current assets	97.0	97.5	(0.5)			
Total assets	2,203.4	2,230.3	(26.9)			
Current liabilities	715.6	754.4	(38.8)			
Trade and other payables	482.7	481.7	1.0			
Lease liabilities	15.2	15.3	(0.1)			
Bonds and borrowings	140.8	186.8	(46.0)			Decrease in redemption of bonds and repayment of borrowings
Other current liabilities	76.9	70.6	6.3			
Non-current liabilities	870.2	854.0	16.2			
Lease liabilities	58.7	63.7	(5.0)			
Bonds and borrowings	719.5	706.5	13.0			Increase in issuance of bonds and new borrowings
Retirement benefit liabilities	22.5	22.1	0.4			
Other non-current liabilities	69.5	61.7	7.8			
Total liabilities	1,585.8	1,608.4	(22.6)			
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	52.2	49.8	2.4			
Retained earnings	235.3	233.1	2.2			Profit for the period +16.7 Dividends (16.4)
Total equity attributable to owners of the Company	578.7	579.1	(0.4)			
Non-controlling interests	38.9	42.8	(3.9)			
Total equity	617.6	621.9	(4.3)			
Total liabilities and equity	2,203.4	2,230.3	(26.9)			
Gross interest-bearing debt*	860.3	893.3	(33.0)			* Lease liabilities (under current liabilities and non-current liabilities) have been excluded from calculations of gross interest-bearing debt and net interest-bearing debt.
Net interest-bearing debt*	576.5	613.2	(36.7)			
Net debt/equity ratio (times)**	1.00	1.06	(0.06)			** 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."
Equity ratio**	26.3%	26.0%	0.3ppt			
Current ratio	163.1%	161.4%	1.7ppt			
Long-term debt ratio	83.6%	79.1%	4.5ppt			

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2020 (IFRS) – Supplementary Materials

February 3, 2021

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 3Q Results	FY2019 3Q Results	Difference	FY2020 Revised Forecast (Feb. 3, 2021)	Percentage Achieved		FY2020 3Q	FY2019 3Q	Difference	FY2020 Revised Forecast (Feb. 3, 2021)	FY2020 3Q	FY2019 3Q	Difference	Main Factors Behind Difference	FY2020 Revised Forecast (Feb. 3, 2021)	Progress Overview	(Reference) FY2020 Revised Forecast (Oct. 30, 2020)
Revenue	1,159.7	1,318.6	(158.9)	-	-												
Gross profit	132.5	159.4	(26.9)	200.0	66%	Automotive	24.4	30.8	(6.4)	35.0	(0.4)	1.3	(1.7)	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 demand is on recovery track	1.0
Selling, general and administrative expenses	(119.5)	(129.9)	+10.4	(164.0)		Aerospace & Transportation Project	8.2	10.8	(2.6)	18.0	(0.1)	1.1	(1.2)	Decreased due to reduced aircraft-related transactions as a result of the global COVID-19 pandemic	5.0	Earnings contributions anticipated from aircraft-related businesses in fourth quarter	5.0
Other income/expenses	6.0	1.3	+4.7	(1.0)		Machinery & Medical Infrastructure	9.7	10.1	(0.4)	14.0	3.4	2.6	+0.8	Increased due to higher returns from medical infrastructure business	5.0	Upward revision based on steady progress of industrial machinery transactions	4.5
Financial income/costs	(2.8)	(2.5)	(0.3)	(5.0)		Energy & Social Infrastructure	11.0	14.4	(3.4)	20.0	2.2	3.8	(1.6)	Decreased, despite the asset replacement in power generation businesses, due to deterioration of crude oil market conditions and the absence of gains on sales of power generation businesses and oil interests recorded in the previous equivalent period	4.5	Upward revision to forecasts in reflection of nine-month performance and accumulation of profits from affiliates	3.5
Share of profit (loss) of investments accounted for using the equity method	7.9	18.5	(10.6)	13.0		Metals & Mineral Resources	6.9	16.0	(9.1)	10.0	(2.4)	12.0	(14.4)	Decreased due to steel demand declines and coal market stagnated as a result of the global COVID-19 pandemic	1.0	Downward revision to forecasts based on third-quarter performance in coal businesses	3.0
Profit before tax	24.1	46.8	(22.7)	43.0	56%	Chemicals	26.8	32.0	(5.2)	39.0	3.7	6.1	(2.4)	Decreased due to impacts from the drop in methanol prices as a result of the global COVID-19 pandemic	5.5	Upward revision to forecasts in reflection of strong performance based on steady progress of plastic resin transactions in China	5.0
Profit for the period (Profit attributable to)	18.7	40.8	(22.1)	32.0	58%	Foods & Agriculture Business	14.7	11.3	+3.4	18.0	4.3	1.4	+2.9	Increased due to higher profitability in overseas fertilizer businesses from lower production costs and higher sales volumes	4.5	Performance generally as forecast	4.5
Owners of the Company	16.7	37.5	(20.8)	30.0	56%	Retail & Lifestyle Business	24.2	26.8	(2.6)	35.0	4.2	4.7	(0.5)	Decreased, despite gains on sale of a shopping mall, due to sluggish domestic consumption as a result of the global COVID-19 pandemic	4.0	Forecasts left unchanged to account for concern over domestic consumption stagnation	4.0
Non-controlling interests	2.0	3.3	(1.3)	2.0		Industrial Infrastructure & Urban Development	4.4	4.1	+0.3	6.0	(0.6)	0.2	(0.8)	Decreased due to lower number of overseas industrial parks delivered	0.5	Performance generally as forecast	0.5
Core earnings*1	18.2	45.8	(27.6)	44.0		Other	2.2	3.1	(0.9)	5.0	2.4	4.3	(1.9)		(1.0)		(1.0)
Comprehensive income attributable to owners of the Company	20.7	17.5	+3.2	-		Total	132.5	159.4	(26.9)	200.0	16.7	37.5	(20.8)		30.0		30.0

*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

Financial Position

(Billions of yen)

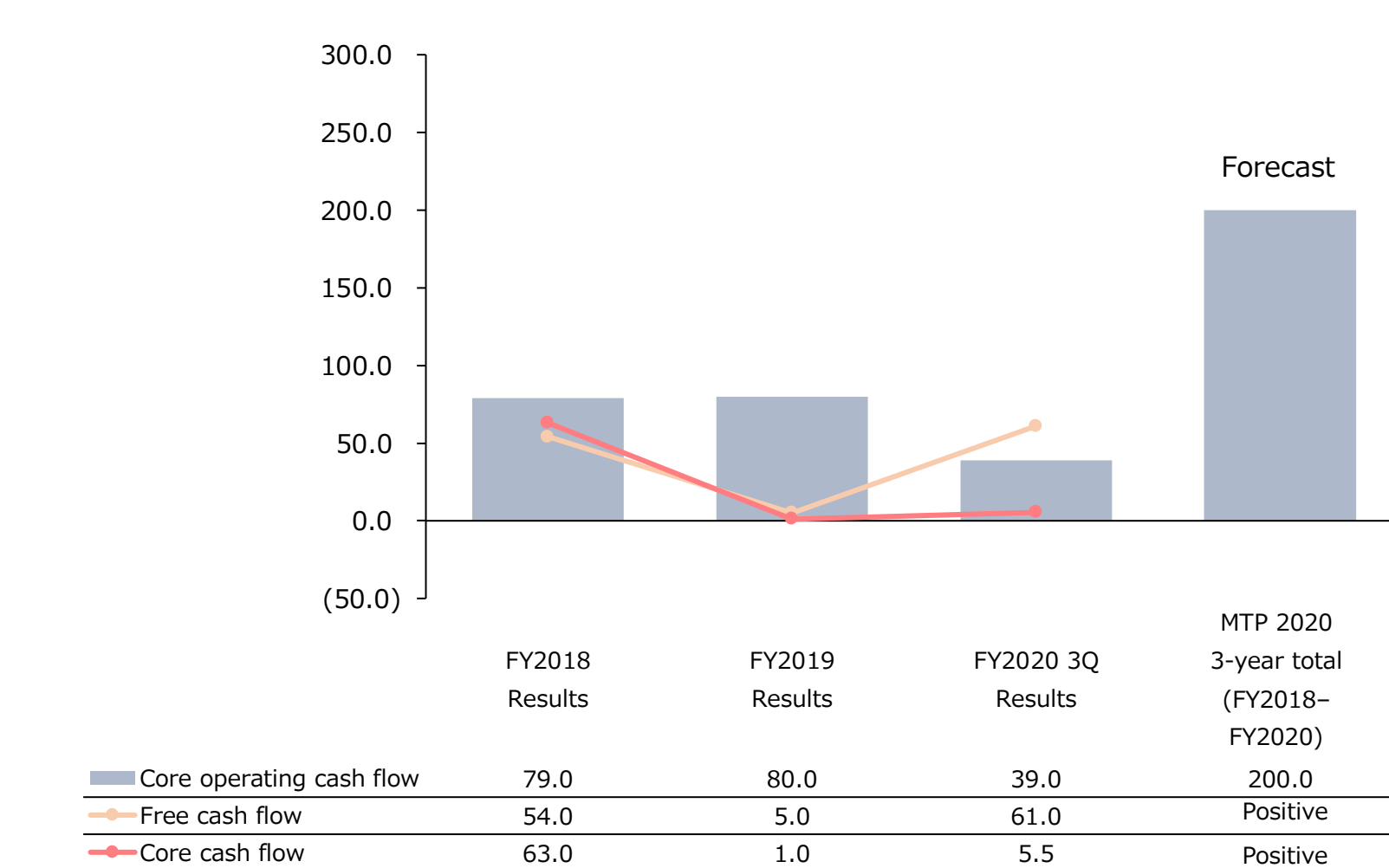
	Dec. 31, 2020	Mar. 31, 2020	Difference	Mar. 31, 2021 Forecast (Oct. 30, 2020)
Total assets	2,203.4	2,230.3	(26.9)	2,250.0
Total equity*2	578.7	579.1	(0.4)	600.0
Equity ratio	26.3%	26.0%	+0.3ppt	26.7%
Net interest-bearing debt*3	576.5	613.2	(36.7)	650.0
Net D/E ratio (times)	1.00	1.06	(0.06)	1.1
Risk 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.

Cash Flow

(Billions of yen)



Note: As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100 billion long-term yen commitment line (which remains unused) and a long-term commitment line totaling US\$1.8 billion (of which US\$0.24 billion has been used). The amount of the U.S. dollar-denominated commitment line was increased by US\$0.2 billion in the previous quarter, ended September 30, 2020.

Commodity Prices and Exchange Rates

	FY2019 Results (Apr.-Dec. '19 Avg.)	FY2020 Results (Apr.-Dec. '20 Avg.)	FY2020 Assumption (Aug.4,20) ⇒FY2020 4Q Assumption (Feb. 3, 2021)	Latest Data (As of January 28, 2021)
Crude oil (Brent)	US\$64.3/bbl	US\$41.3/bbl	US\$35.0/bbl(2H) ⇒US\$51.0/bbl(4Q)	US\$55.5/bbl
Thermal coal**1	US\$71.7/t	US\$60.1/t	US\$58.0/t(FY20) ⇒US\$89.0/t(4Q)	US\$90.1/t
Coking coal**1	US\$167.4/t	US\$113.3/t	US\$125.0/t(FY20) ⇒US\$126.5/t(4Q)	US\$161.5/t
Exchange rate**2	¥108.9/US\$	¥105.5/US\$	¥108.0/US\$ (Initial assumption)	¥104.3/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 (Review)

·Forecast for full-year profit for the year initially set at ¥40.0 billion to account for a ¥23.0 billion reduction in profit anticipated to result from massive restrictions on the movement of people and commodities projected to continue until June 2020

·Forecast for full-year profit for the year revised to ¥30.0 billion after the first quarter to account for an additional ¥10.0 billion reduction in profit to stem from lower steel demand and sluggish prices of coal and other resources; a ¥3.0 billion reduction to result from stagnant consumption due to store and commercial facility closures following worldwide lockdowns; and a ¥3.0 billion increase in profit from cost reductions, earnings improvements, and asset replacement

·Forecast for full-year profit for the year not revised after second quarter, despite an additional ¥4.0 billion reduction in profit anticipated to occur due to prolonged domestic consumption stagnancy, out of consideration for improved earnings from fertilizer businesses

·Despite anticipated impacts of reductions in customer numbers at certain stores and commercial facilities due to resumed rises in COVID-19 case numbers, improvement in nine-month profit seen as a result of a recovery in industrial machinery transactions