

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2021 (IFRS)

August 3, 2021
Sojitz Corporation

Results Highlights

◆ In the three-month period ended June 30, 2021, economic recovery was witnessed in certain regions as a result of efforts for responding to the COVID-19 pandemic, including vaccine rollouts and substantial financial easing and government finance measures taken in developed countries. At the same time, there is a need for ongoing caution with regard to growing credit costs and the deterioration of performance at companies in tourism, service, and other industries.

The Company's revenue for the three-month period ended June 30, 2021, was up year on year due to higher revenue in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal and precious metals; in the Chemicals Division, a result of higher methanol prices and growth in plastic resin transactions; and in the Automotive Division, a result of increased sales volumes in overseas automotive businesses.

Despite the increase in selling, general and administrative expenses along with a rise in non-personnel expenses, profit for the period (attributable to owners of the Company) increased year on year following higher gross profit and a rise in share of profit of investments accounted for using the equity method attributable to earnings growth at steel operating company.

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

Revenue 492.8 billion yen (+143.5 billion yen / +41.1%)
 • Increase in revenue in the Metals, Mineral Resources & Recycling Division due to higher prices and transaction volumes for precious metals and higher prices for coal
 • Increase in revenue in the Chemicals Division due to the higher transaction volumes of plastic resins and the rise in the methanol prices
 • Increase in revenue in the Automotive Division due to higher sales units in overseas automobile operations

Gross profit 56.4 billion yen (+17.4 billion yen / +44.9%)
 • Increase in gross profit in the Automotive Division due to higher sales volumes in overseas automobile transactions
 • Increase in gross profit in the Chemicals Division due to the rise in methanol prices and higher transaction volumes for plastic resin businesses
 • Increase in gross profit in the Metals, Mineral Resources & Recycling Division due to higher coal prices

Profit for the period (attributable to owners of the Company) 16.9 billion yen (+14.5 billion yen / +61.0%)
 • Increase in gross profit
 • Increase in share of profit (loss) of investments accounted for using the equity method

◆ Earnings forecast for the fiscal year ending March 31, 2022

Profit for the year (attributable to owners of the Company) 53.0 billion yen

(Assumptions)

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

◆ Cash dividends per share for the fiscal year ending March 31, 2022 (forecast)

Interim : 7.00 yen per share

Year-end : 7.00 yen per share

At the General Shareholders' Meeting held on June 18, 2021, it was resolved that the Company will perform a one-for-five share consolidation with an effective date of October 1, 2021. When calculated on a post-share consolidation basis, the year-end dividend forecast comes to 35 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 + Dividends received + 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. 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

	(Billions of yen)			Factors Affecting Circled Figures	(Billions of yen)	
	FY2021 1Q	FY2020 1Q	Difference		FY2021	Percentage
	Results	Results			Forecast	Achieved
	a	b	a-b	c	a/c	
Revenue	492.8	349.3	143.5			
				Revenue: change in segment		
				Metals, Mineral Resources & Recycling	+45.0	
				Chemicals	+42.1	
				Automotive	+33.7	
Gross profit	56.4	39.0	17.4			
				Gross profit: change in segment		
				Automotive	+5.6	
				Chemicals	+5.4	
				Metals, Mineral Resources & Recycling	+2.6	
Selling, general and administrative expenses						
Personnel expenses	(23.7)	(23.4)	(0.3)			
Non-personnel expenses	(13.1)	(11.2)	(1.9)			
Depreciation	(4.5)	(4.3)	(0.2)			
Provision of allowance for doubtful accounts	(0.5)	0.1	(0.6)			
(Total selling, general and administrative expenses)	(41.8)	(38.8)	(3.0)		(178.0)	
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	0.1	2.2	(2.1)	Partial sale of a natural gas-fired power project company		
Loss on reorganization of subsidiaries/associates	(0.1)	0.0	(0.1)			
Other operating income/expenses	1.1	(0.6)	1.7			
(Total other income/expenses)	1.1	1.6	(0.5)		4.0	
Financial income/costs						
Interest earned	1.4	1.2	0.2			
Interest expenses	(2.6)	(3.2)	0.6			
(Interest expenses, net)	(1.2)	(2.0)	0.8			
Dividends received	1.2	1.1	0.1			
Other financial income/costs	0.0	0.0	0.0			
(Financial income/costs, net)	0.0	(0.9)	0.9		(2.0)	
Share of profit (loss) of investments accounted for using the equity method	7.5	1.7	5.8	Higher profit from steel operating company	26.0	
Profit before tax	23.2	2.6	20.6		70.0	
Income tax expenses	(5.2)	0.1	(5.3)		(14.0)	
Profit for the period	18.0	2.7	15.3		56.0	
(Profit attributable to)					32%	
Owners of the Company	16.9	2.4	14.5		53.0	
Non-controlling interests	1.1	0.3	0.8		3.0	
Core earnings*1	22.6	0.9	21.7		66.0	

Consolidated Statements of Financial Position

	(Billions of yen)			Factors Affecting Circled Figures
	Jun. 30,	Mar. 31,	Difference	
	2021	2021		
	d	e	d-e	
Current assets	1,281.0	1,195.4	85.6	
Cash and cash equivalents	282.5	287.6	(5.1)	
Time deposits	8.6	10.1	(1.5)	
Trade and other receivables	683.4	636.2	47.2	Increase in wheat and iron ore
Inventories	238.5	187.9	50.6	Increase of aircraft and real estate held for resale
Other current assets	68.0	73.6	(5.6)	
Non-current assets	1,168.4	1,104.7	63.7	
Property, plant and equipment	192.7	191.3	1.4	
Lease assets (usage rights assets)	70.4	72.8	(2.4)	
Goodwill	67.5	67.2	0.3	
Intangible assets	61.9	61.5	0.4	
Investment property	11.6	11.6	0.0	
Investments accounted for using the equity method	625.4	590.8	34.6	Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method
Other non-current assets	138.9	109.5	29.4	Increase due to aircraft-related businesses
Total assets	2,449.4	2,300.1	149.3	
Current liabilities	809.3	734.8	74.5	
Trade and other payables	520.8	476.0	44.8	Increase in wheat and iron ore
Lease liabilities	16.6	16.8	(0.2)	
Bonds and borrowings	185.2	158.6	26.6	Increase due to new borrowings
Other current liabilities	86.7	83.4	3.3	
Non-current liabilities	960.3	910.8	49.5	
Lease liabilities	57.8	60.5	(2.7)	
Bonds and borrowings	799.5	749.7	49.8	Increase due to new borrowings
Retirement benefit liabilities	21.9	21.9	0.0	
Other non-current liabilities	81.1	78.7	2.4	
Total liabilities	1,769.6	1,645.6	124.0	
Share capital	160.3	160.3	-	
Capital surplus	146.9	146.8	0.1	
Treasury stock	(21.5)	(15.9)	(5.6)	Acquisitions of treasury stock
Other components of equity	96.9	77.8	19.1	Increase due to change in foreign exchange rates and stock prices
Retained earnings	262.6	250.0	12.6	Profit for the period +16.9, Dividends (6.0)
Total equity attributable to owners of the Company	645.2	619.0	26.2	
Non-controlling interests	34.6	35.5	(0.9)	
Total equity	679.8	654.5	25.3	
Total liabilities and equity	2,449.4	2,300.1	149.3	
Gross interest-bearing debt*4	984.7	908.3	+76.4	*4 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*4	693.6	610.6	+83.0	
Net debt/equity ratio (times)*5	1.08	0.99	+0.09	
Equity ratio*5	26.3%	26.9%	(0.6%)	
Current ratio	158.3%	162.7%	(4.4%)	*5 "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	81.2%	82.5%	(1.3%)	

Comprehensive Income

	(Billions of yen)		
	FY2021 1Q	FY2020 1Q	Difference
	Results	Results	
	a	b	a-b
Profit for the period	18.0	2.7	15.3
Other comprehensive income	19.6	1.6	18.0
Total comprehensive income for the period	37.6	4.3	33.3
Comprehensive income attributable to:			
Owners of the Company	36.5	3.2	33.3
Non-controlling interests	1.1	1.1	0.0

Cash Flows

	(Billions of yen)			Factors Affecting Circled Figures
	FY2021 1Q	FY2020 1Q	Difference	
	Results	Results		
	a	b	a-b	
Cash flows from operating activities	(18.8)	15.7	(34.5)	Outflows from increase in inventories
Cash flows from investing activities	(42.5)	2.9	(45.4)	Outflows due to aircraft-related businesses and investments
Free cash flow	(61.3)	18.6	(79.9)	
Cash flows from financing activities	56.1	9.5	46.6	Inflows from new borrowings and outflows due to dividends paid and acquisitions of treasury stock
Core operating cash flow*2	26.6	10.9	15.7	
Core cash flow*3	(11.1)	(3.5)	(7.6)	

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2021 (IFRS) — Supplementary Materials

August 3, 2021
Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results

	FY2021 1Q Results	FY2020 1Q Results	Difference	FY2021 Forecast	Percentage Achieved
Revenue	492.8	349.3	+143.5	-	-
Gross profit	56.4	39.0	+17.4	220.0	26%
Selling, general and administrative expenses	(41.8)	(38.8)	(3.0)	(178.0)	-
Other income/expenses	1.1	1.6	(0.5)	4.0	-
Financial income/costs	0.0	(0.9)	+0.9	(2.0)	-
Share of profit (loss) of investments accounted for using the equity method	7.5	1.7	+5.8	26.0	-
Profit before tax	23.2	2.6	+20.6	70.0	33%
Profit for the period (Profit attributable to)	18.0	2.7	+15.3	56.0	32%
Owners of the Company	16.9	2.4	+14.5	53.0	32%
Non-controlling interests	1.1	0.3	+0.8	3.0	-
Core earnings*1	22.6	0.9	+21.7	66.0	-
Comprehensive income attributable to owners of the Company	36.5	3.2	+33.3		

*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

Segment Performance [Gross Profit]

	FY2021 1Q	FY2020 1Q	Difference	FY2021 Forecast
Automotive	10.0	4.4	+5.6	43.0
Aerospace & Transportation Project	2.7	2.1	+0.6	17.0
Infrastructure & Healthcare	4.2	3.6	+0.6	20.0
Metals, Mineral Resources & Recycling	5.5	2.9	+2.6	20.0
Chemicals	13.1	7.7	+5.4	46.0
Consumer Industry & Agriculture Business	8.9	7.6	+1.3	28.0
Retail & Consumer Service	7.3	6.3	+1.0	30.0
Others *4	4.7	4.4	+0.3	16.0

Segment Performance [Profit for the Period (Attributable to Owners of the Company)]

	FY2021 1Q	FY2020 1Q	Difference	Main Factors Behind Difference	FY2021 Forecast	Progress Overview	(Reference) FY2020 Results
Automotive	1.1	(1.8)	+2.9	Increased due to higher sales volumes in overseas automobile transactions	5.0	Performance expected to be generally as forecast, while the effects of semiconductor shortage need monitoring	1.1
Aerospace & Transportation Project	0.1	(0.3)	+0.4	Recovery of shipping market conditions	4.5	Earnings contributions from aircraft-related businesses anticipated in the 2nd half of the fiscal year	1.8
Infrastructure & Healthcare	0.8	2.2	(1.4)	Decreased due to the rebound from asset replacement in power generation businesses recorded in the previous equivalent period	7.5	Earnings accumulation anticipated from healthcare-related businesses, domestic and overseas power generation businesses, and LNG businesses in the 4th quarter of the fiscal year	8.2
Metals, Mineral Resources & Recycling	6.0	(2.0)	+8.0	Increased due to higher profit from steel operating company with recovery of steel demand and recovery in coal market conditions	12.0	Forecast unchanged, while coal market conditions show higher performance than forecast	(1.8)
Chemicals	4.0	0.0	+4.0	Increased due to recovery from the drop in methanol prices and higher transaction volumes of plastic resins	10.5	Performance generally as forecast, while ongoing caution regarding the impacts of COVID-19 on Southeast Asia businesses is necessary	5.8
Consumer Industry & Agriculture Business	3.0	2.1	+0.9	Increased due to higher sales volumes in overseas fertilizer businesses	5.0	Performance generally as forecast, with earnings contributions from overseas fertilizer businesses anticipated in the 1st half of the fiscal year	4.6
Retail & Consumer Service	0.6	0.1	+0.5	Increased due to higher sales volumes in food-related company	5.0	Steady progress in food-related business anticipated	4.9
Others *4	1.3	2.1	(0.8)		3.5		2.4

Total	56.4	39.0	+17.4	220.0	16.9	2.4	+14.5	53.0	27.0
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Financial Position

(Billions of yen)

	Jun. 30, 2021	Mar. 31, 2021	Difference	Mar. 31, 2022 Forecast
Total assets	2,449.4	2,300.1	+149.3	2,450.0
Total equity*2	645.2	619.0	+26.2	640.0
Equity ratio	26.3%	26.9%	(0.6%)	26.1%
Net interest-bearing debt*3	693.6	610.6	+83.0	780.0
Net D/E ratio (times)	1.08	0.99	+0.09	1.2
Risk assets	400.0	390.0	+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 the calculations of net interest-bearing debt.

Cash Flows

(Billions of yen)

	MTP* 2020 three-year cumulative results	FY2021 1Q Results	FY2021 Forecast	MTP* 2023 three-year cumulative forecast
Core operating cash flow	219.0	26.6	70.0-75.0	Approx. 240.0-250.0
Core cash flow	56.0	(11.1)	(65.0)-(75.0)	Positive over the 6-year period of MTP* 2020 and MTP* 2023
Free cash flow	108.0	(61.3)	(1,400.0)	-

* Medium-term Management Plan (MTP)

Note: As of the end of June 30, 2021, in addition to cash in bank of ¥282.5 billion, Sojitz maintains a ¥120.0 billion long-term commitment line (which remains unused) and a US\$1.8 billion long-term commitment line (of which US\$1.02 billion has been used).

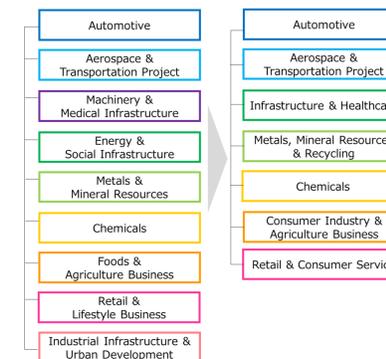
Commodity Prices and Exchange Rates

	FY2020 Results (Apr.-Jun. '20 Avg.)	FY2021 Assumption (Annual Avg.)	FY2021 Results (Apr.-Jun. '21 Avg.)	Latest Data (As of July 28, 2021)
Coking coal**1	US\$119.0/t	US\$127.5/t	US\$139.1/t	US\$216.0/t
Thermal coal**1	US\$54.4/t	US\$80.0/t	US\$109.0/t	US\$159.2/t
Crude oil (Brent)	US\$33.4/bbl	US\$50.0/bbl	US\$69.1/bbl	US\$74.7/bbl
Exchange rate**2	¥107.4/US\$	¥108.0/US\$	¥109.8/US\$	¥109.9/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. ¥1.5 billion annually.

Organizational Reforms (effective as of April 1, 2021)



Note: Effective April 1, 2021, four machinery-related subsidiaries—Sojitz Machinery Corporation, Sojitz Autrans Corporation, e-Energy Corporation, and Sojitz Marine & Engineering Corporation—were merged. After the merger, the surviving company was placed under the control of the Portfolio Transformation (PX) Office in the Others segment.

Segment information for the three-month period ended June 30, 2020, has been restated to reflect the change in reportable segments.