

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2022 (IFRS)

August 2, 2022
Sojitz Corporation

Results Highlights

◆ In the three-month period ended June 30, 2022, increasingly strong downward pressure was placed on the global economy by factors including Russia's military invasion of Ukraine, the economic sanctions placed on Russia in response to this act, and the lockdowns instituted in cities in China associated with the COVID-19 spread.

Ongoing need to monitor impact factors such as resumed increase in COVID-19 cases and concern for economic recession due to reduced demand stemming from monetary tightening of central banks worldwide and continuously high inflation.

Revenue in the three-month period ended June 30, 2022, was up year on year following increases in revenue in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal; in the Consumer Industry & Agriculture Business Division, a result of higher lumber transactions; and in the Chemicals Division, a result of higher methanol prices.

Profit for the period (attributable to owners of the Company) was up year on year, despite a rise in SG&A expenses associated with the acquisition of new consolidated subsidiaries, following an increase in gross profit and an increase in share of profit of investments accounted for using the equity method attributable to earnings growth at a steel operating company.

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

Revenue 618.5 bn yen (+125.7 bn yen / +25.5%)

- Increase in revenue in the Metals, Mineral Resources & Recycling Div. due to higher prices for coal
- Increase in revenue in the Consumer Industry & Agriculture Business Div. due to higher prices and sales volumes in lumber transactions
- Increase in revenue in the Chemicals Div. due to a price increase in methanol

Gross profit 96.9 bn yen (+40.5 bn yen / +41.6%)

- Increase in gross profit in the Metals, Mineral Resources & Recycling Div. due to increase in coal prices
- Increase in gross profit in the Automotive Div. due to higher sales volumes in overseas automotive
- Increase in gross profit in the Chemicals Div. due to the rise in methanol prices

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

45.2 bn yen (+28.3 bn yen / +166.8%)

- Increase in gross profit
- Increase in share of profit of investments accounted for using the equity method

◆ Earnings forecast for the fiscal year ending March 31, 2023

Profit for the year (attributable to owners of the Company) 85.0 bn yen

(Assumptions)

Exchange rate (annual average: ¥/US\$) : 115

◆ Cash dividends per share for the fiscal year ending March 31, 2023 (forecast)

Interim : 56.00 yen per share

Year-end : 56.00 yen per share

(Full year: 112.00 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 + 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

	FY2022			Factors Affecting Circled Figures	FY2022		Percentage Achieved
	3-month Results	FY2021 3-month Results	Difference a-b		Full-year Forecast	a/c	
Revenue	618.5	492.8	125.7	Revenue: change in segment Metals, Mineral Resources & Recycling +42.8 Consumer Industry & Agriculture Business +26.3 Chemicals +22.9			
Gross profit	96.9	56.4	40.5	Gross profit: change in segment Metals, Mineral Resources & Recycling +28.6 Automotive +3.7 Chemicals +3.1	300.0	32%	
Selling, general and administrative expenses							
Personnel expenses	(28.5)	(23.7)	(4.8)				
Non-personnel expenses	(17.4)	(13.1)	(4.3)				
Depreciation	(5.6)	(4.5)	(1.1)				
Provision of allowance for doubtful accounts	0.0	(0.5)	0.5				
<u>Total selling, general and administrative expenses</u>	<u>(51.5)</u>	<u>(41.8)</u>	<u>(9.7)</u>	Increase due to acquisition of new consolidated subsidiaries	(210.0)		
Other income/expenses							
Gain/loss on sale and disposal of fixed assets, net	0.1	0.0	0.1				
Impairment loss on fixed assets	(0.2)	0.0	(0.2)				
Gain on reorganization of subsidiaries/associates	4.6	0.1	4.5	Partial sale of an overseas telecommunications tower operating company			
Loss on reorganization of subsidiaries/associates	0.0	(0.1)	0.1				
Other operating income/expenses	(1.2)	1.1	(2.3)				
<u>Total other income/expenses</u>	<u>3.3</u>	<u>1.1</u>	<u>2.2</u>		0.0		
Financial income/costs							
Interest earned	2.6	1.4	1.2				
Interest expenses	(3.6)	(2.6)	(1.0)				
<u>Interest expenses, net</u>	<u>(1.0)</u>	<u>(1.2)</u>	<u>0.2</u>				
Dividends received	1.6	1.2	0.4				
Other financial income/costs	0.6	0.0	0.6				
<u>Financial income/costs, net</u>	<u>1.2</u>	<u>0.0</u>	<u>1.2</u>		(5.0)		
Share of profit of investments accounted for using the equity method	10.6	7.5	3.1	Higher profit from steel operating company	35.0		
Profit before tax	60.5	23.2	37.3		120.0	50%	
Income tax expenses	(14.5)	(5.2)	(9.3)		(32.0)		
Profit for the period (Profit attributable to)	46.0	18.0	28.0		88.0	52%	
Owners of the Company	45.2	16.9	28.3		85.0	53%	
Non-controlling interests	0.8	1.1	(0.3)		3.0		
Core earnings*1	56.6	22.6	34.0		120.0		

Consolidated Statements of Financial Position

	Jun. 30, 2022			Mar. 31, 2022			Factors Affecting Circled Figures
	d	e	Difference d-e	e	Difference d-e		
Current assets	1,532.8	1,394.2	138.6				
Cash and cash equivalents	252.9	271.7	(18.8)				
Time deposits	17.0	10.8	6.2				
Trade and other receivables	864.1	791.5	72.6	Increase in coal and building materials			
Inventories	296.7	232.8	63.9	Increase in coal and fertilizer			
Other current assets	101.8	87.4	14.4				
Non-current assets	1,309.4	1,267.5	41.9				
Property, plant and equipment	216.0	201.5	14.5				
Lease assets (usage rights assets)	69.4	69.7	(0.3)				
Goodwill	89.0	82.5	6.5				
Intangible assets	91.2	85.0	6.2				
Investment property	13.4	13.3	0.1				
Investments accounted for using the equity method	711.7	673.6	38.1	Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method			
Other non-current assets	118.7	141.9	(23.2)				
Total assets	2,841.9	2,661.7	180.2				
Current liabilities	971.2	897.6	73.6				
Trade and other payables	612.2	546.0	66.2	Increase in coal and building materials			
Lease liabilities	17.6	17.4	0.2				
Bonds and borrowings	224.7	231.2	(6.5)				
Other current liabilities	116.7	103.0	13.7				
Non-current liabilities	1,029.2	1,000.2	29.0				
Lease liabilities	57.5	57.8	(0.3)				
Bonds and borrowings	845.6	821.5	24.1				
Retirement benefit liabilities	24.5	23.9	0.6				
Other non-current liabilities	102.1	97.0	5.1				
Total liabilities	2,000.9	1,897.8	103.1				
Share capital	160.3	160.3	-				
Capital surplus	147.1	147.0	0.1				
Treasury stock	(31.0)	(31.0)	0.0				
Other components of equity	178.7	136.8	41.9	Increase due to change in foreign exchange rates			
Retained earnings	346.3	314.9	31.4	Profit for the period +45.2, Dividends (14.1)			
Total equity attributable to owners of the Company	801.4	728.0	73.4				
Non-controlling interests	39.6	35.9	3.7				
Total equity	841.0	763.9	77.1				
Total liabilities and equity	2,841.9	2,661.7	180.2				
Gross interest-bearing debt*4	1,070.3	1,052.7	+17.6				
Net interest-bearing debt*4	800.4	770.2	+30.2				
Net debt/equity ratio (times)*5	1.00	1.06	(0.06)				
Equity ratio*5	28.2%	27.4%	+0.8%				
Current ratio	157.8%	155.3%	+2.5%				
Long-term debt ratio	79.0%	78.0%	+1.0%				

*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.

*5 "Total equity attributable to owners of the Company" is used as the denominator of "Net debt/equity ratio" and the numerator of "Equity ratio."

Comprehensive Income

	FY2022			Factors Affecting Circled Figures
	3-month Results	FY2021 3-month Results	Difference a-b	
Profit for the period	46.0	18.0	28.0	
Other comprehensive income	46.7	19.6	27.1	
Total comprehensive income for the period	92.7	37.6	55.1	
Comprehensive income attributable to:				
Owners of the Company	87.6	36.5	51.1	
Non-controlling interests	5.1	1.1	4.0	

Cash Flows

	FY2022			Factors Affecting Circled Figures
	3-month Results	FY2021 3-month Results	Difference a-b	
Cash flows from operating activities	38.1	(18.8)	56.9	Inflows from business earnings and dividend income
Cash flows from investing activities	(21.4)	(42.5)	21.1	Outflows due to investments
Free cash flow	16.7	(61.3)	78.0	
Cash flows from financing activities	(43.7)	56.1	(99.8)	Outflows for repayment of borrowings and dividends paid
Core operating cash flow*2	61.0	26.6	34.4	
Core cash flow*3	29.7	(11.1)	40.8	

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2022 (IFRS) — Supplementary Materials

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Operating Results						Segment Performance [Gross Profit]				Segment Performance [Profit for the Period (Attributable to Owners of the Company)]							
	FY22 3-month	FY21 3-month	Difference	FY22 Forecast	Percentage Achieved		FY22 3-month	FY21 3-month	Difference	FY22 Forecast	FY22 3-month	FY21 3-month	Difference	Main Factors Behind Difference	FY22 Forecast	Progress Overview	(Reference) FY2021 Results
Revenue	618.5	492.8	+125.7	-	-	Automotive	13.7	10.0	+3.7	50.0	2.0	1.1	+0.9	Increased due to higher sales volumes in overseas automobile operations	6.0	Performance generally as forecast, though business impacts related to Russia and semiconductor shortages anticipated	7.1
Gross profit	96.9	56.4	+40.5	300.0	32%	Aerospace & Transportation Project	4.2	2.7	+1.5	20.0	0.8	0.1	+0.7	Increased due to aircraft- and railway-related earnings contributions	4.5	Performance generally as forecast	4.7
Selling, general and administrative expenses	(51.5)	(41.8)	(9.7)	(210.0)		Infrastructure & Healthcare	5.1	4.2	+0.9	25.0	6.2	0.8	+5.4	Increased due to gain on partial sale of equity in telecommunications tower business	9.0	Earnings contributions projected from domestic and overseas power generation and LNG businesses as well as from new investments	6.6
Other income/expenses	3.3	1.1	+2.2	0.0		Metals, Mineral Resources & Recycling	34.1	5.5	+28.6	65.0	24.7	6.0	+18.7	Increased due to higher selling prices in coal businesses	51.0	Forecasts unchanged based on coal market and operating environment conditions	34.1
Financial income/costs	1.2	0.0	+1.2	(5.0)		Chemicals	16.2	13.1	+3.1	50.0	5.6	4.0	+1.6	Increased due to higher methanol prices	12.5	Steady progress in methanol businesses and plastic resin businesses anticipated	12.6
Share of profit (loss) of investments accounted for using the equity method	10.6	7.5	+3.1	35.0		Consumer Industry & Agriculture Business	9.6	8.7	+0.9	25.0	3.2	3.0	+0.2	Relatively unchanged year on year as increased transaction volumes in lumber-related businesses counteracted impacts of consistently high raw material prices in fertilizer businesses	3.0	Strong performance surpassing forecasts in fertilizer businesses, but need to monitor profit trends	6.4
Profit before tax	60.5	23.2	+37.3	120.0	50%	Retail & Consumer Service	10.9	7.5	+3.4	50.0	0.5	0.6	(0.1)	Relatively unchanged year on year	5.0	Earnings contributions in food-related business anticipated	5.0
Profit for the period (Profit attributable to)	46.0	18.0	+28.0	88.0	52%	Others	3.1	4.7	(1.6)	15.0	2.2	1.3	+0.9		(6.0)		5.8
Owners of the Company Non-controlling interests	45.2 0.8	16.9 1.1	+28.3 (0.3)	85.0 3.0	53%	Total	96.9	56.4	+40.5	300.0	45.2	16.9	+28.3		85.0		82.3
Core earnings*1	56.6	22.6	+34.0	120.0													
Comprehensive income attributable to owners of the Company	87.6	36.5	+51.1														

*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

Note: Effective April 1, 2022, Sojitz Group reorganized the Consumer Industry & Agriculture Business and the Retail & Consumer Service segments and changed their reporting figures for FY2021 Q1.

Financial Position				
	Jun. 30, 2022	Mar. 31, 2022	Difference	Mar. 31, 2023 Forecast
Total assets	2,841.9	2,661.7	+180.2	2,700.0
Total equity*2	801.4	728.0	+73.4	760.0
Equity ratio	28.2%	27.4%	+0.8%	28.1%
Net interest-bearing debt*3	800.4	770.2	+30.2	800.0
Net D/E ratio (times)	1.00	1.06	(0.06)	1.1
Risk assets	490.0	450.0	40.0	-
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					Commodity Prices and Exchange Rates				
	MTP 2020 3-year Results (Aggregate)	FY22 3-month Results	FY22 Forecast	MTP 2023 3-Year Target (Aggregate)		FY21 Results (Apr.-Jun. '21 Avg.)	FY22 Assumption (Annual Avg.)	FY22 Results (Apr.-Jun. '22 Avg.)	Latest Data (As of Jul. 27, 2022)
Core operating cash flow	219.0	61.0	110.0	Approx. 240.0-250.0	Coking coal**1	US\$139.1/t	US\$280.0/t 1H : US\$340.0/t 2H : US\$220.0/t	US\$448.0/t	US\$201.5/t
Core cash flow	56.0	30.0	(48.0)	Positive over the six-year period of MTP 2020 and MTP 2023	Thermal coal**1	US\$109.0/t	US\$160.0/t	US\$378.9/t	US\$417.8/t
FCF	108.0	17.0	77.0	-	Crude oil (Brent)	US\$69.1/bbl	US\$90.0/bbl	US\$112.0/bbl	US\$106.6/bbl
					Exchange rate**2	¥109.8/US\$	¥115.0/US\$	¥131.3/US\$	¥137.0/US\$

Note: As of the end of June 30, 2022, in addition to cash in bank of ¥269.9 bn, Sojitz maintains a ¥100.0 bn long-term commitment line (which remains unused) and a US\$2.025 bn long-term commitment line (of which US\$1.20 bn has been used).

**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 bn annually, profit for the year (attributable to owners of the Company) by approx. ¥0.3 bn annually, and total equity by approx. ¥1.5 bn annually.