

Highlights of Consolidated Financial Results for the First Half of the Year Ended September 30, 2022 (IFRS)

November 1, 2022
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 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, high inflation, and the opaque outlook for the Chinese economy. Despite the dissipation of the impacts of the COVID-19 pandemic, there is a need to carefully monitor factors with the potential to trigger future economic recession, such as high inflation and possible reductions to demand due to the monetary tightening measures of central banks around the world.

Revenue in the six-month period ended September 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 Chemicals Division, a result of growth in plastic resin transactions and higher methanol prices; and in the Consumer Industry & Agriculture Business Division, a result of higher lumber and fertilizer 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 higher gross profit.

(Figures in parentheses are YoY changes)

Revenue 1,273.3 bn yen (+272.6 bn yen / +27.2%)

- Increase in the Metals, Mineral Resources & Recycling Div. due to higher coal prices
- Increase in the Chemicals Div. due to higher transaction volumes of plastic resin and a price increase in methanol
- Increase in the Consumer Industry & Agriculture Business Div. due to higher lumber and fertilizer prices

Gross profit 182.2 bn yen (+64.5 bn yen / +54.8%)

- Increase in the Metals, Mineral Resources & Recycling Div. due to the increase in coal prices
- Increase in the Chemicals Div. due to the higher price of methanol and higher transaction volumes of plastic resin
- Increase in the Automotive Div. due to improvement in foreign exchange rates and profitability improvement in overseas automobile operations

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

78.9 bn yen (+39.5 bn yen / +99.9%)

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

◆ Earnings forecast for the year ending March 31, 2023

Full-year earnings forecasts were revised as follows.

	Initial Forecast	Revised Forecast (Nov. 1, 2022)
Gross profit	300.0 bn yen	⇒ 340.0 bn yen
Profit before tax	120.0 bn yen	⇒ 150.0 bn yen
Profit for the year (attributable to owners of the Company)	85.0 bn yen	⇒ 110.0 bn yen

Revised Assumptions (Nov. 1, 2022)

Exchange rate (H2) (¥/US\$) : 140

◆ Cash dividends per share for the year ending March 31, 2023

Cash dividends forecast per share were revised as follows.

	Initial Forecast	Revised Forecast (Nov. 1, 2022)
Interim (result)	56.00 yen per share	⇒ 65.00 yen per share
Year-end (forecast)	56.00 yen per share	⇒ 65.00 yen per share
Full year (forecast)	112.00 yen per share	⇒ 130.00 yen per share

*1 Core earnings = Gross profit + SG&A 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 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 outcomes, which may differ materially based on 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

	FY2022 H1		FY2021 H1		Factors Affecting Circled Figures	FY2022 (Revised)			
	Results	Q1	Q2	Results		Difference	Full-year Forecast		Percentage Achieved
	a			b		a-b	c		a/c
Revenue	1,273.3	618.5	654.8	1,000.7	272.6				
Gross profit	182.2	96.9	85.3	117.7	64.5	340.0	54%		
SG&A expenses									
Personnel expenses	(57.6)	(28.5)	(29.1)	(47.7)	(9.9)				
Non-personnel expenses	(36.1)	(17.4)	(18.7)	(26.3)	(9.8)				
Depreciation	(11.4)	(5.6)	(5.8)	(9.1)	(2.3)				
Provision of allowance for doubtful accounts	(0.5)	0.0	(0.5)	(0.7)	0.2				
(Total SG&A expenses)	(105.6)	(51.5)	(54.1)	(83.8)	(21.8)				
Other income/expenses									
Gain/loss on sale and disposal of fixed assets, net	0.3	0.1	0.2	0.1	0.2				
Impairment loss on fixed assets	(0.2)	(0.2)	0.0	(0.2)	0.0				
Gain on reorganization of subsidiaries/associates	4.8	4.6	0.2	2.3	2.5			Overseas telecommunications tower operating company	
Loss on reorganization of subsidiaries/associates	(0.7)	0.0	(0.7)	(0.7)	0.0				
Other operating income/expenses	(0.4)	(1.2)	0.8	0.4	(0.8)				
(Total other income/expenses)	3.8	3.3	0.5	1.9	1.9				
Financial income/costs									
Interest earned	5.9	2.6	3.3	3.2	2.7				
Interest expenses	(7.9)	(3.6)	(4.3)	(5.5)	(2.4)				
(Interest expenses, net)	(2.0)	(1.0)	(1.0)	(2.3)	0.3				
Dividends received	2.3	1.6	0.7	1.9	0.4				
Other financial income/costs	0.9	0.6	0.3	0.2	0.7				
(Financial income/costs, net)	1.2	1.2	0.0	(0.2)	1.4			(5.0)	
Share of profit (loss) of investments accounted for using the equity method	24.9	10.6	14.3	16.9	8.0			43.0	
Profit before tax	106.5	60.5	46.0	52.5	54.0			150.0	
Income tax expenses	(24.9)	(14.5)	(10.4)	(11.0)	(13.9)			(35.0)	
Profit for the period	81.6	46.0	35.6	41.5	40.1			115.0	
(Profit attributable to)								71%	
Owners of the Company	78.9	45.2	33.7	39.4	39.5			110.0	
Non-controlling interests	2.7	0.8	1.9	2.1	0.6			5.0	
Core earnings *1	102.3	56.6	45.7	51.1	51.2			148.0	

Comprehensive Income

	FY2022 H1		FY2021 H1		Difference
	Results	Q1	Q2	Results	
	a			b	
Profit for the period	81.6	46.0	35.6	41.5	40.1
Other comprehensive income	75.1	46.7	28.4	19.2	55.9
Total comprehensive income for the period	156.7	92.7	64.0	60.7	96.0
Comprehensive income attributable to:					
Owners of the Company	148.6	87.6	61.0	58.3	90.3
Non-controlling interests	8.1	5.1	3.0	2.4	5.7

Consolidated Statements of Financial Position

	Sep. 30,		Difference	Factors Affecting Circled Figures
	2022	Mar. 31, 2022		
	d	e		
Current assets	1,581.8	1,394.2	187.6	
Cash and cash equivalents	269.3	271.7	(2.4)	
Time deposits	4.7	10.8	(6.1)	
Trade and other receivables	892.7	791.5	101.2	Increase in aircraft-related, coal, and building materials
Inventories	318.5	232.8	85.7	Increase in aircraft, coal, and fertilizer
Other current assets	96.6	87.4	9.2	
Non-current assets	1,351.6	1,267.5	84.1	
Property, plant and equipment	219.7	201.5	18.2	
Lease assets (usage rights assets)	68.0	69.7	(1.7)	
Goodwill	90.7	82.5	8.2	
Intangible assets	94.8	85.0	9.8	
Investment property	13.5	13.3	0.2	
Investments accounted for using the equity method	744.7	673.6	71.1	Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method
Other non-current assets	120.2	141.9	(21.7)	
Total assets	2,933.4	2,661.7	271.7	
Current liabilities	941.4	897.6	43.8	
Trade and other payables	622.0	546.0	76.0	Increase in coal, tobacco, and building materials
Lease liabilities	17.3	17.4	(0.1)	
Bonds and borrowings	192.2	231.2	(39.0)	
Other current liabilities	109.9	103.0	6.9	
Non-current liabilities	1,086.7	1,000.2	86.5	
Lease liabilities	56.2	57.8	(1.6)	
Bonds and borrowings	901.1	821.5	79.6	Increase due to new borrowings and change in foreign exchange rates
Retirement benefit liabilities	25.0	23.9	1.1	
Other non-current liabilities	104.4	97.0	7.4	
Total liabilities	2,028.1	1,897.8	130.3	
Share capital	160.3	160.3	-	
Capital surplus	147.0	147.0	0.0	
Treasury stock	(31.0)	(31.0)	0.0	
Other components of equity	203.4	136.8	66.6	Increase due to changes in foreign exchange rates
Retained earnings	382.6	314.9	67.7	Profit for the period +78.9
Total equity attributable to owners of the Company	862.3	728.0	134.3	Dividends paid (14.1)
Non-controlling interests	43.0	35.9	7.1	
Total equity	905.3	763.9	141.4	
Total liabilities and equity	2,933.4	2,661.7	271.7	
Gross interest-bearing debt*	1,093.3	1,052.7	+40.6	
Net interest-bearing debt*	819.3	770.2	+49.1	
Net debt/equity ratio (times)**	0.95	1.06	(0.11)	
Equity ratio**	29.4%	27.4%	+2.0%	
Current ratio	168.0%	155.3%	+12.7%	
Long-term debt ratio	82.4%	78.0%	+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.

** "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 when calculating "Equity ratio."

Cash Flows

	FY2022 H1		FY2021 H1		Factors Affecting Circled Figures	
	Results	Q1	Q2	Results		
	a			b		
Cash flows from operating activities	82.2			29.6	52.6	Inflows from business earnings and dividend income
Cash flows from investing activities	(44.2)			(67.1)	22.9	Outflows due to aircraft-related businesses and investments
FCF	38.0			(37.5)	75.5	
Cash flows from financing activities	(51.3)			5.2	(56.5)	Outflows for repayment of borrowings and dividends paid
Core operating cash flow*2	90.3			49.3	41.0	
Core cash flow*3	58.2			(2.6)	60.8	

Highlights of Consolidated Financial Results for the First Half of the Year Ended September 30, 2022 (IFRS) — Supplementary Materials

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Operating Results (BN JPY)					Segment Performance [Gross Profit]				Segment Performance [Profit for the Period (Attributable to Owners of the Company)] (BN JPY)								
	FY2022 H1	FY2021 H1	Difference	FY2022 Revised Forecast (Nov. 1, 2022)	Percentage Achieved (against revised forecast)		FY2022 H1	FY2021 H1	Difference	FY2022 Revised Forecast (Nov. 1, 2022)	FY2022 H1	FY2021 H1	Difference	Main Factors Behind Difference	FY2022 Revised Forecast (Nov. 1, 2022)	Progress Overview	FY2022 Initial Forecast
Revenue	1,273.3	1,000.7	+272.6	-	-												
Gross profit	182.2	117.7	+64.5	340.0	54%	Automotive	28.3	21.6	+6.7	50.0	4.5	3.4	+1.1	Increased due to yen depreciation in overseas automobile businesses	6.0	Performance generally as forecast	6.0
SG&A expenses	(105.6)	(83.8)	(21.8)	(230.0)	-	Aerospace & Transportation Project	9.0	6.7	+2.3	20.0	2.0	1.4	+0.6	Increased due to earnings from aircraft-related businesses	5.0	Performance generally as forecast	4.5
Other income/expenses	3.8	1.9	+1.9	2.0	-	Infrastructure & Healthcare	11.3	8.3	+3.0	25.0	9.0	1.2	+7.8	Increased due to gain on partial sale of equity in overseas telecommunications tower operating business as well as earnings from domestic and overseas power generation and LNG businesses	12.0	Upward revision to forecast to reflect one-time factor seen in six-month period and strong performance in domestic and overseas power generation businesses	9.0
Financial income/costs	1.2	(0.2)	+1.4	(5.0)	-	Metals, Mineral Resources & Recycling	54.6	15.3	+39.3	90.0	41.8	16.2	+25.6	Increased due to higher selling prices in coal businesses	65.0	Upward revision to forecast to account for strong six-month performance and solid conditions seen in coal market and at a steel trading company	51.0
Share of profit (loss) of investments accounted for using the equity method	24.9	16.9	+8.0	43.0	-	Chemicals	32.7	25.4	+7.3	60.0	11.3	6.8	+4.5	Increased due to higher prices of various chemical products and improved profitability	17.0	Upward revision to forecast based on strong conditions for chemical businesses	12.5
Profit before tax	106.5	52.5	+54.0	150.0	71%	Consumer Industry & Agriculture Business	18.3	16.5	+1.8	30.0	5.9	4.7	+1.2	Increased due to improved profitability in fertilizer businesses and higher selling prices in lumber-related businesses	6.0	Upward revision to forecast to account for steady six-month performance for fertilizer businesses	3.0
Profit for the period (Profit attributable to)	81.6	41.5	+40.1	115.0	71%	Retail & Consumer Service	21.4	15.3	+6.1	50.0	1.4	1.9	(0.5)	Decreased due to reduced profitability for imported food products as a result of yen depreciation	7.0	Upward revision to forecast due to gain from asset replacement activities scheduled for second half of fiscal year	5.0
Owners of the Company	78.9	39.4	+39.5	110.0	72%	Others	6.6	8.6	(2.0)	15.0	3.0	3.8	(0.8)		(8.0)		(6.0)
Non-controlling interests	2.7	2.1	+0.6	5.0	-	Total	182.2	117.7	+64.5	340.0	78.9	39.4	+39.5		110.0		85.0
Core earnings*1	102.3	51.1	+51.2	148.0	-												
Comprehensive income attributable to owners of the Company	148.6	58.3	+90.3		-												

*1 Core earnings = Gross profit + SG&A 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 its reporting figures for FY2021 Q1.

Financial Position (BN JPY)				
	Sep. 30, 2022	Mar. 31, 2022	Difference	Mar. 31, 2023 Revised Forecast (Nov. 1, 2022)
Total assets	2,933.4	2,661.7	+271.7	3,000.0
Total equity*2	862.3	728.0	+134.3	870.0
Equity ratio	29.4%	27.4%	+2.0%	29.0%
Net interest-bearing debt*3	819.3	770.2	+49.1	870.0
Net D/E ratio (Times)	0.95	1.06	(0.11)	1.0
Risk assets	540.0	450.0	+90.0	-
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 calculations of net interest-bearing debt.

Cash Flows (BN JPY)				
	MTP* 2020 3-year Results (Aggregate)	FY21 Results	FY22 H1 Results	MTP 2023 3-year Initial Target (Aggregate)
Core operating cash flow	219.0	128.7	90.3	Approx. 240.0-250.0
Core cash flow	56.0	10.5	58.2	Positive over the six-year period of MTP 2020 and MTP 2023
FCF	108.0	(73.7)	38.0	-

* Medium-Term Management Plan

Note: As of the end of September 30, 2022, in addition to cash in bank of ¥274.0 bn, Sojitz maintains a ¥100.0 bn long-term commitment line (which remains unused) and a US\$2.125 bn long-term commitment line (of which US\$1.36 bn has been used).

Commodity Prices and Exchange Rates				
	FY21 Results (Apr.-Sep. '21 Avg.)	FY22 Initial Assumption ⇒ FY22 H2 Assumption (Nov. 1)	FY22 Results (Apr.-Sep. '22 Avg.)	Latest Data (As of Oct. 26, 2022)
Coking coal**1	US\$199.5/t	US\$280.0/t [H1 : US\$340.0/t] [H2 : US\$220.0/t]	US\$345.3/t	US\$306.8/t
Thermal coal**1	US\$138.3/t	US\$160.0/t ⇒US\$330.0/t (H2)	US\$401.3/t	US\$379.3/t
Crude oil (Brent)	US\$71.2/bbl	US\$90.0/bbl	US\$104.8/bbl	US\$95.7/bbl
Exchange rate**2	¥110.1/US\$	¥115.0/US\$ ⇒¥140.0/US\$ (H2)	¥135.3/US\$	¥148.2/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. ¥0.75 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.