

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2022 (IFRS)

February 2, 2023
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2022, increasingly strong downward pressure was placed on the global economy by factors including Russia's ongoing military invasion of Ukraine, the economic sanctions placed on Russia in response to this act, and the opaque outlook for the Chinese economy. Accordingly, there is a need to carefully monitor factors with the potential to trigger future economic recession, such as high inflation and the monetary tightening measures instituted on a global scale to address this inflation. This need is present despite the dissipation of the impacts of the COVID-19 pandemic, which is being seen in various countries, with the exception of countries like China.

Revenue in the nine-month period ended December 31, 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 in the Retail & Consumer Service Division, a result of the new acquisition of an aquaculture food product manufacturing company.

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 1,925.3 bn yen (+ 376.7 bn yen / + 24.3%)

· 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

· Increase in the Retail & Consumer Service Div. due to the new acquisition of an aquaculture food product manufacturing company

Gross profit 263.4 bn yen (+ 72.7 bn yen / + 38.2%)

· Increase in the Metals, Mineral Resources & Recycling Div. due to the increase in coal prices

· Increase in the Retail & Consumer Service Div. due to the new acquisition of an aquaculture food product manufacturing company

· Increase in the Chemicals Div. due to higher transaction volumes of plastic resin

Profit for the period (attributable to owners of the Company) 108.7 bn yen (+ 46.7 bn yen / + 75.3%)

· 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

Profit for the year : 110.0 bn yen
(attributable to owners of the Company)

Exchange rate (Q4) (¥/US\$) : 130

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

Interim (result) : 65.00 yen per share
Year-end (forecast) : 65.00 yen per share
Full year (forecast) : 130.00 yen per share

Consolidated Statements of Profit or Loss

	FY2022 9-month			FY2021 9-month		(BN JPY)		
	Results	H1	Q3	Results	Difference	Full-year Forecast	Percentage Achieved	Factors Affecting Circled Figures
	a			b	a-b			
Revenue	1,925.3	1,273.3	652.0	1,548.6	376.7			
Gross profit	263.4	182.2	81.2	190.7	72.7	345.0	76%	
SG&A expenses								
Personnel expenses	(87.4)	(57.6)	(29.8)	(74.5)	(12.9)			
Non-personnel expenses	(57.0)	(36.1)	(20.9)	(41.0)	(16.0)			
Depreciation	(17.1)	(11.4)	(5.7)	(13.8)	(3.3)			
Provision of allowance for doubtful accounts and write-offs	(0.5)	(0.5)	0.0	(0.8)	0.3			
(Total SG&A expenses)	(162.0)	(105.6)	(56.4)	(130.1)	(31.9)	(225.0)		Increase due to acquisition of new consolidated subsidiaries etc.
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	0.5	0.3	0.2	0.1	0.4			
Impairment loss on fixed assets	(2.4)	(0.2)	(2.2)	(1.4)	(1.0)			
Gain on reorganization of subsidiaries/associates	14.1	4.8	9.3	2.4	11.7			J-REIT management company, Overseas telecommunications tower operating company, etc.
Loss on reorganization of subsidiaries/associates	(8.3)	(0.7)	(7.6)	(3.6)	(4.7)			Copper mine interests etc.
Other operating income/expenses	3.3	(0.4)	3.7	(0.1)	3.4			
(Total other income/expenses)	7.2	3.8	3.4	(2.6)	9.8	(18.0)		
Financial income/costs								
Interest earned	9.2	5.9	3.3	5.3	3.9			
Interest expenses	(12.8)	(7.9)	(4.9)	(8.3)	(4.5)			
(Interest expenses, net)	(3.6)	(2.0)	(1.6)	(3.0)	(0.6)			
Dividends received	3.5	2.3	1.2	4.1	(0.6)			
Other financial income/costs	(0.1)	0.9	(1.0)	0.5	(0.6)			
(Financial income/costs, net)	(0.2)	1.2	(1.4)	1.6	(1.8)	(1.0)		
Share of profit (loss) of investments accounted for using the equity method	37.1	24.9	12.2	25.4	11.7	49.0	97%	Steel trading company, etc.
Profit before tax	145.5	106.5	39.0	85.0	60.5	150.0	97%	
Income tax expenses	(32.7)	(24.9)	(7.8)	(19.9)	(12.8)	(35.0)		
Profit for the period (Profit attributable to)	112.8	81.6	31.2	65.1	47.7	115.0	98%	
Owners of the Company	108.7	78.9	29.8	62.0	46.7	110.0	99%	
Non-controlling interests	4.1	2.7	1.4	3.1	1.0	5.0		
Core earnings*1	138.9	102.3	36.6	87.9	51.0	168.0		

Consolidated Statements of Financial Position

	Dec. 31,			(BN JPY)			Factors Affecting Circled Figures
	2022	Mar. 31, 2022	Difference	Dec. 31, 2022	Mar. 31, 2022	Difference	
	d	e	d-e				
Current assets	1,574.1	1,394.2	179.9				
Cash and cash equivalents	225.6	271.7	(46.1)				
Time deposits	17.2	10.8	6.4				
Trade and other receivables	921.9	791.5	130.4				Increase in aircraft-related, coal, and building materials
Inventories	299.8	232.8	67.0				Increase in fertilizer and automotive
Other current assets	109.6	87.4	22.2				
Non-current assets	1,281.5	1,267.5	14.0				
Property, plant and equipment	201.1	201.5	(0.4)				
Lease assets (Usage rights assets)	63.7	69.7	(6.0)				
Goodwill	85.6	82.5	3.1				
Intangible assets	92.2	85.0	7.2				
Investment property	9.7	13.3	(3.6)				
Investments accounted for using the equity method	722.8	673.6	49.2				Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method
Other non-current assets	106.4	141.9	(35.5)				
Total assets	2,855.6	2,661.7	193.9				
Current liabilities	953.4	897.6	55.8				
Trade and other payables	676.2	546.0	130.2				Increase in tobacco, coal, and building materials
Lease liabilities	16.1	17.4	(1.3)				
Bonds and borrowings	156.6	231.2	(74.6)				Decrease due to repayment of borrowings
Other current liabilities	104.5	103.0	1.5				
Non-current liabilities	1,011.5	1,000.2	11.3				
Lease liabilities	52.5	57.8	(5.3)				
Bonds and borrowings	834.3	821.5	12.8				
Retirement benefit liabilities	24.6	23.9	0.7				
Other non-current liabilities	100.1	97.0	3.1				
Total liabilities	1,964.9	1,897.8	67.1				
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	165.3	136.8	28.5				Increase due to changes in foreign exchange rates
Retained earnings	407.5	314.9	92.6				Profit for the period +108.7 Dividends paid (29.2)
Total equity attributable to owners of the Company	849.2	728.0	121.2				
Non-controlling interests	41.5	35.9	5.6				
Total equity	890.7	763.9	126.8				
Total liabilities and equity	2,855.6	2,661.7	193.9				
Gross interest-bearing debt*	990.9	1,052.7	(61.8)				* 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*	748.1	770.2	(22.1)				
Net debt/equity ratio (Times)**	0.88	1.06	(0.18)				** "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."
Equity ratio**	29.7%	27.4%	+2.3ppt				
Current ratio	165.1%	155.3%	+9.8ppt				
Long-term debt ratio	84.2%	78.0%	+6.2ppt				

*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

*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.

Comprehensive Income

	FY2022 9-month			FY2021 9-month		(BN JPY)		
	Results	H1	Q3	Results	Difference	Full-year Forecast	Percentage Achieved	Factors Affecting Circled Figures
	a			b	a-b			
Profit for the period	112.8	81.6	31.2	65.1	47.7			
Other comprehensive income	44.7	75.1	(30.4)	28.2	16.5			
Total comprehensive income for the period	157.5	156.7	0.8	93.3	64.2			
Comprehensive income attributable to:								
Owners of the Company	150.4	148.6	1.8	89.0	61.4			
Non-controlling interests	7.1	8.1	(1.0)	4.3	2.8			

Cash Flows

	FY2022 9-month			FY2021 9-month		(BN JPY)		
	Results	H1	Q3	Results	Difference	Full-year Forecast	Percentage Achieved	Factors Affecting Circled Figures
	a			b	a-b			
Cash flows from operating activities	(128.0)	42.2	85.8	85.8	85.8			Inflows from business earnings and dividend income
Cash flows from investing activities	(46.3)	(104.2)	57.9	57.9	57.9			Outflows due to aircraft-related businesses and investments
FCF	81.7	(62.0)	143.7	143.7	143.7			
Cash flows from financing activities	(132.4)	6.3	(138.7)	(138.7)	(138.7)			Outflows for repayment of borrowings and dividends paid
Core operating cash flow*2	115.6	81.3	34.3	81.3	34.3			
Core cash flow*3	79.5	(8.9)	88.4	88.4	88.4			

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2022 (IFRS) — Supplementary Materials

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Operating Results (BN JPY)					Segment Performance [Gross Profit] (BN JPY)				Segment Performance [Profit for the Period (Attributable to Owners of the Company)] (BN JPY)								
	FY2022 9-month	FY2021 9-month	Difference	FY2022 Revised Forecast (Feb. 2, 2023)	Percentage Achieved (against revised forecast)		FY2022 9-month	FY2021 9-month	Difference	FY2022 Revised Forecast (Feb. 2, 2023)	FY2022 9-month	FY2021 9-month	Difference	Main Factors Behind Difference	FY2022 Revised Forecast (Feb. 2, 2023)	Progress Overview	FY2022 Revised Forecast (Nov. 1, 2022)
Revenue	1,925.3	1,548.6	+376.7	—	—												
Gross profit	263.4	190.7	+72.7	345.0	76%	Automotive	41.6	33.1	+8.5	55.0	6.9	5.9	+1.0	Increased due to yen depreciation in overseas automobile businesses	8.0	Upward revision based on steady progress up to Q3	6.0
SG&A expenses	(162.0)	(130.1)	(31.9)	(225.0)	—	Aerospace & Transportation Project	14.6	10.7	+3.9	20.0	4.4	2.3	+2.1	Increased due to earnings from aircraft-related businesses	5.0	Performance generally as forecast	5.0
Other income/expenses	7.2	(2.6)	+9.8	(18.0)	—	Infrastructure & Healthcare	18.8	12.7	+6.1	25.0	12.2	2.8	+9.4	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	17.0	Upward revision from earning contributions anticipated from LNG-related businesses	12.0
Financial income/costs	(0.2)	1.6	(1.8)	(1.0)	—	Metals, Mineral Resources & Recycling	70.3	35.1	+35.2	90.0	48.3	28.3	+20.0	Increased due to higher selling prices in coal businesses	60.0	Downward revision to forecasts, despite strong coal market, to account for impacts of asset replacement and of lower production volumes stemming from heavy rains	65.0
Share of profit (loss) of investments accounted for using the equity method	37.1	25.4	+11.7	49.0	—	Chemicals	48.1	38.7	+9.4	60.0	15.1	11.2	+3.9	Increased due to higher prices of various chemical products and improved profitability	17.0	Earning contributions anticipated from strong conditions for chemical businesses	17.0
Profit before tax	145.5	85.0	+60.5	150.0	97%	Consumer Industry & Agriculture Business	24.8	24.4	+0.4	30.0	7.4	6.6	+0.8	Unchanged year on year	7.5	Upward revision based on steady progress up to Q3	6.0
Profit for the period (Profit attributable to)	112.8	65.1	+47.7	115.0	98%	Retail & Consumer Service	33.7	23.4	+10.3	50.0	7.5	3.3	+4.2	Increased due to impacts of asset replacement	7.5	Upward revision based on steady progress up to Q3	7.0
Owners of the Company	108.7	62.0	+46.7	110.0	99%	Others	11.5	12.6	(1.1)	15.0	6.9	1.6	+5.3		(12.0)	Incorporation of asset assessment revision costs	(8.0)
Non-controlling interests	4.1	3.1	+1.0	5.0	—												
Core earnings*1	138.9	87.9	+51.0	168.0	—												
Comprehensive income attributable to owners of the Company	150.4	89.0	+61.4														
						Total	263.4	190.7	+72.7	345.0	108.7	62.0	+46.7		110.0		110.0

*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, the Sojitz Group reorganized the Consumer Industry & Agriculture Business and the Retail & Consumer Service segments and changed its reporting figures for FY2021 Q3.

Financial Position (BN JPY)				
	Dec. 31, 2022	Mar. 31, 2022	Difference	Mar. 31, 2023 Revised Forecast (Feb. 2, 2023)
Total assets	2,855.6	2,661.7	+193.9	2,750.0
Total equity*2	849.2	728.0	+121.2	830.0
Equity ratio	29.7%	27.4%	+2.3ppt	30.2%
Net interest-bearing debt*3	748.1	770.2	(22.1)	600.0
Net D/E ratio (Times)	0.88	1.06	(0.18)	0.7
Risk assets	—	450.0	—	—
Ratio of risk assets to equity (Times)	—	0.6	—	—

*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)	FY2021 Results	FY2022 9-month Results	MTP 2023 3-year Initial Target (Aggregate)
Core operating cash flow	219.0	128.7	115.6	Approx. 240.0-250.0
Core cash flow	56.0	10.5	79.5	Positive over the six-year period of MTP 2020 and MTP 2023
FCF	108.0	(73.7)	81.7	—

* Medium-Term Management Plan

Note: As of December 31, 2022, in addition to cash in bank of ¥242.8 bn, Sojitz maintains a ¥100.0 bn long-term commitment line (which remains unused) and a US\$2.275 bn long-term commitment line (of which US\$1.079 bn has been used).

Commodity Prices and Exchange Rates			
	FY2021 Results (Apr.-Dec. 2021 Avg.)	FY2022 Results (Apr.-Dec. 2022 Avg.)	Latest Data (As of Jan. 27, 2023)
Coking coal**1	US\$278.0/t	US\$322.8/t	US\$329.5/t
Thermal coal**1	US\$163.9/t	US\$394.5/t	US\$301.0/t
Crude oil (Brent)	US\$74.0/bbl	US\$99.4/bbl	US\$86.7/bbl
Exchange rate**2	¥111.5/US\$	¥136.9/US\$	¥129.6/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. ¥2.0 bn annually.