

Highlights of Consolidated Financial Results for the First Half of the Year Ended September 30, 2021 (IFRS)

November 2, 2021
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 30, 2021, economic recovery was seen in certain regions amid a global decline in the number of COVID-19 cases. Governments in the United States and Europe are transitioning away from large-scale government finance measures for responding to the pandemic and toward policies based on a longer-term perspective. Conversely, certain emerging countries are moving to raise their policy interest rates. This situation is creating a need for ongoing monitoring of economic trends.

The Company's revenue for the six-month period ended September 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 growth in plastic resin transactions and higher methanol prices; and in the Automotive Division, a result of increased sales volumes in overseas automotive businesses.

Despite the increase in SG&A 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 a steel operating company.
(Figures in parentheses are YoY changes)

Revenue 1,000.7 bn yen (+256.1 bn yen / +34.4%)

- Increase in the Metals, Mineral Resources & Recycling Div. due to higher coal prices, and an increase in prices as well as transaction volumes of precious metals
- Increase in the Chemicals Div. due to higher transaction volumes of plastic resin and a price increase in methanol
- Increase in the Automotive Div. due to higher sales volumes in overseas automobile operations

Gross profit 117.7 bn yen (+33.2 bn yen / +39.4%)

- 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 higher sales volumes in overseas automobile operations

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

39.4 bn yen (+30.3 bn yen / +331.2%)

- 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, 2022

Full-year earnings forecasts were revised as follows.

	Initial Forecast	Revised Forecast (Nov. 2, 2021)
Gross profit	220.0 bn yen	⇒ 240.0 bn yen
Profit before tax	70.0 bn yen	⇒ 95.0 bn yen
Profit for the year (attributable to owners of the Company)	53.0 bn yen	⇒ 70.0 bn yen

(Initial Assumptions)

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

Cash dividends per share for the year ending March 31, 2022

Year-end cash dividends per share were revised as follows.

	Initial Forecast	Revised Forecast (Nov. 2, 2021)
Interim (result)	7.00 yen per share	⇒ 9.00 yen per share
Year-end (forecast)	35.00 yen per share	⇒ 45.00 yen per share

The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. The interim dividend reflecting this share consolidation would be 45.00 yen.

*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. 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

	FY2021 H1		FY2020 H1		Factors Affecting Circled Figures	FY2021 (Revised)	
	Results a	Q1	Q2	Results b		Difference a-b	Full-year Forecast c
Revenue	1,000.7	492.8	507.9	744.6	256.1		
					Revenue: segment changes		
					Metals, Mineral Resources & Recycling	+87.7	
					Chemicals	+77.1	
					Automotive	+49.4	
Gross profit	117.7	56.4	61.3	84.5	33.2	240.0	49%
					Gross profit: segment changes		
					Metals, Mineral Resources & Recycling	+10.5	
					Chemicals	+8.8	
					Automotive	+8.6	
SG&A expenses							
Personnel expenses	(47.7)	(23.7)	(24.0)	(47.0)	(0.7)		
Non-personnel expenses	(26.3)	(13.1)	(13.2)	(23.5)	(2.8)		
Depreciation	(9.1)	(4.5)	(4.6)	(8.6)	(0.5)		
Provision of allowance for doubtful accounts	(0.7)	(0.5)	(0.2)	0.1	(0.8)		
(Total SG&A expenses)	(83.8)	(41.8)	(42.0)	(79.0)	(4.8)	(178.0)	
Other income/expenses							
Gain/loss on sale and disposal of fixed assets, net	0.1	0.0	0.1	2.1	(2.0)		
					Sale of shopping mall		
Impairment loss on fixed assets	(0.2)	0.0	(0.2)	0.0	(0.2)		
					Partial sale of a natural gas-fired power project company		
Gain on reorganization of subsidiaries/associates	2.3	0.1	2.2	2.2	0.1		
					Sale of industrial machinery-related company		
Loss on reorganization of subsidiaries/associates	(0.7)	(0.1)	(0.6)	(0.1)	(0.6)		
Other operating income/expenses	0.4	1.1	(0.7)	(0.5)	0.9		
(Total other income/expenses)	1.9	1.1	0.8	3.7	(1.8)	4.0	
Financial income/costs							
Interest earned	3.2	1.4	1.8	3.0	0.2		
Interest expenses	(5.5)	(2.6)	(2.9)	(6.2)	0.7		
(Interest expenses, net)	(2.3)	(1.2)	(1.1)	(3.2)	0.9		
Dividends received	1.9	1.2	0.7	1.5	0.4		
Other financial income/costs	0.2	0.0	0.2	(0.1)	0.3		
(Financial income/costs, net)	(0.2)	0.0	(0.2)	(1.8)	1.6	(2.0)	
Share of profit (loss) of investments accounted for using the equity method	16.9	7.5	9.4	4.6	12.3	31.0	
					Increase in profit from steel operating company		
Profit before tax	52.5	23.2	29.3	12.0	40.5	95.0	55%
Income tax expenses	(11.0)	(5.2)	(5.8)	(1.5)	(9.5)	(22.0)	
Profit for the period (Profit attributable to)	41.5	18.0	23.5	10.5	31.0	73.0	57%
Owners of the Company	39.4	16.9	22.5	9.1	30.3	70.0	56%
Non-controlling interests	2.1	1.1	1.0	1.4	0.7	3.0	
Core earnings *1	51.1	22.6	28.5	8.3	42.8	91.0	

Comprehensive Income

	FY2021 H1		FY2020 H1		Difference a-b
	Results a	Q1	Q2	Results b	
Profit for the period	41.5	18.0	23.5	10.5	31.0
Other comprehensive income	19.2	19.6	(0.4)	(3.8)	23.0
Total comprehensive income for the period	60.7	37.6	23.1	6.7	54.0
Comprehensive income attributable to:					
Owners of the Company	58.3	36.5	21.8	5.7	52.6
Non-controlling interests	2.4	1.1	1.3	1.0	1.4

Cash Flows

	FY2021 H1		FY2020 H1		Difference a-b	Factors Affecting Circled Figures
	Results a	Results b	Results c	Results d		
Cash flows from operating activities	29.6	96.9	(67.3)	67.3		Inflows from business earnings and dividend income
Cash flows from investing activities	(67.1)	(4.3)	(62.8)	(62.8)		Outflows due to aircraft-related businesses and investments
FCF	(37.5)	92.6	(130.1)	(130.1)		
Cash flows from financing activities	5.2	(50.5)	55.7	55.7		Inflows from new borrowings and outflows due to dividends paid and purchase of treasury stock
Core operating cash flow*2	49.3	20.9	28.4	28.4		
Core cash flow*3	(2.6)	9.9	(12.5)	(12.5)		

Consolidated Statements of Financial Position

	Sep. 30, 2021		Mar. 31, 2021		Difference d-e	Factors Affecting Circled Figures
	d	e	f	g		
Current assets	1,259.6	1,195.4	64.2			
Cash and cash equivalents	254.2	287.6	(33.4)			
Time deposits	12.7	10.1	2.6			
Trade and other receivables	698.8	636.2	62.6			Increase in tobacco and wheat
Inventories	224.8	187.9	36.9			Increase in aircraft and real estate held for sale
Other current assets	69.1	73.6	(4.5)			
Non-current assets	1,190.4	1,104.7	85.7			
Property, plant and equipment	190.9	191.3	(0.4)			
Lease assets (usage rights assets)	66.6	72.8	(6.2)			
Goodwill	64.9	67.2	(2.3)			
Intangible assets	62.4	61.5	0.9			
Investment property	11.5	11.6	(0.1)			
Investments accounted for using the equity method	639.4	590.8	48.6			Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method
Other non-current assets	154.7	109.5	45.2			Increase due to aircraft-related businesses
Total assets	2,450.0	2,300.1	149.9			
Current liabilities	799.0	734.8	64.2			
Trade and other payables	539.7	476.0	63.7			Increase in tobacco and wheat
Lease liabilities	15.4	16.8	(1.4)			
Bonds and borrowings	154.0	158.6	(4.6)			
Other current liabilities	89.9	83.4	6.5			
Non-current liabilities	959.9	910.8	49.1			
Lease liabilities	54.7	60.5	(5.8)			
Bonds and borrowings	797.4	749.7	47.7			Increase due to new borrowings
Retirement benefit liabilities	21.8	21.9	(0.1)			
Other non-current liabilities	86.0	78.7	7.3			
Total liabilities	1,758.9	1,645.6	113.3			
Share capital	160.3	160.3	-			
Capital surplus	146.9	146.8	0.1			
Treasury stock	(30.8)	(15.9)	14.9			Purchase of treasury stock
Other components of equity	96.3	77.8	18.5			Increase due to changes in foreign exchange rates and stock prices
Retained earnings	284.9	250.0	34.9			Profit for the period +39.4
Total equity attributable to owners of the Company	657.6	619.0	38.6			Dividends paid (6.0)
Non-controlling interests	33.5	35.5	(2.0)			
Total equity	691.1	654.5	36.6			
Total liabilities and equity	2,450.0	2,300.1	149.9			
Gross interest-bearing debt*	951.4	908.3	+43.1			
Net interest-bearing debt*	684.5	610.6	+73.9			
Net debt/equity ratio (times)**	1.04	0.99	+0.05			
Equity ratio**	26.8%	26.9%	(0.1)ppt			
Current ratio	157.6%	162.7%	(5.1)ppt			
Long-term debt ratio	83.8%	82.5%	+1.3ppt			

* 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."

Highlights of Consolidated Financial Results for the First Half of the Year Ended September 30, 2021 (IFRS) — Supplementary Materials

November 2, 2021
Sojitz Corporation

Operating Results (BN JPY)

	FY2021 H1	FY2020 H1	Difference	FY2021 Revised Forecast (Nov. 2, 2021)	Percentage Achieved (against revised forecast)
Revenue	1,000.7	744.6	+256.1	-	-
Gross profit	117.7	84.5	+33.2	240.0	49%
SG&A expenses	(83.8)	(79.0)	(4.8)	(178.0)	-
Other income/expenses	1.9	3.7	(1.8)	4.0	-
Financial income/costs	(0.2)	(1.8)	+1.6	(2.0)	-
Share of profit (loss) of investments accounted for using the equity method	16.9	4.6	+12.3	31.0	-
Profit before tax	52.5	12.0	+40.5	95.0	55%
Profit for the period (Profit attributable to)	41.5	10.5	+31.0	73.0	57%
Owners of the Company	39.4	9.1	+30.3	70.0	56%
Non-controlling interests	2.1	1.4	+0.7	3.0	-
Core earnings*1	51.1	8.3	+42.8	91.0	-
Comprehensive income attributable to owners of the Company	58.3	5.7	+52.6		

Segment Performance [Gross Profit]

	FY2021 H1	FY2020 H1	Difference	FY2021 Revised Forecast (Nov. 2, 2021)
Automotive	21.6	13.0	+8.6	43.5
Aerospace & Transportation Project	6.7	4.6	+2.1	16.5
Infrastructure & Healthcare	8.3	7.7	+0.6	20.0
Metals, Mineral Resources & Recycling	15.3	4.8	+10.5	39.0
Chemicals	25.4	16.6	+8.8	48.0
Consumer Industry & Agriculture Business	16.9	16.0	+0.9	27.0
Retail & Consumer Service	14.9	13.1	+1.8	30.0
Others	8.6	8.7	(0.1)	16.0

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

	FY2021 H1	FY2020 H1	Difference	Main Factors Behind Difference	FY2021 Revised Forecast (Nov. 2, 2021)	Progress Overview	FY2021 Initial Forecast
Automotive	3.4	(1.5)	+4.9	Increased due to higher sales volumes in overseas automobile operations	5.5	Forecast revised upwards reflecting steady progress in the first half of the year, while also considering effects of semiconductor shortage	5.0
Aerospace & Transportation Project	1.4	(0.3)	+1.7	Increased due to higher transaction volumes in aircraft- and marine vessel-related businesses	4.0	Forecast revised downwards due to delay in recovery of certain aircraft-related transactions	4.5
Infrastructure & Healthcare	1.2	2.6	(1.4)	Decreased due to absence of gains from assets replacement in power generation businesses recorded in the previous equivalent period	6.5	Forecast revised downwards due to delay of earnings contributions from new and ongoing projects	7.5
Metals, Mineral Resources & Recycling	16.2	(2.0)	+18.2	Increased due to higher profit from steel operating company thanks to increased steel demand as well as higher profit from recovery of coal market conditions	31.0	Forecast revised upwards due to strong coal market conditions	12.0
Chemicals	6.8	1.3	+5.5	Increased due to recovery of methanol prices and higher transaction volumes of plastic resin	12.0	Forecast revised upwards to reflect strong methanol prices and transaction volumes of plastic resin	10.5
Consumer Industry & Agriculture Business	4.8	4.0	+0.8	Increased due to rise in market conditions of imported plywood	4.0	Forecast revised downwards to reflect delay of recovery in Southeast Asian businesses due to the impacts of COVID-19	5.0
Retail & Consumer Service	1.9	2.7	(0.8)	Decreased, despite higher sales volumes of food-related company, due to absence of gains from sale of shopping mall recorded in the previous equivalent period	4.0	Forecast revised downwards to reflect delay of recovery in Southeast Asian businesses due to the impacts of COVID-19	5.0
Others	3.7	2.3	+1.4		3.0		3.5

*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

Total	117.7	84.5	+33.2	240.0	39.4	9.1	+30.3	70.0	53.0
--------------	--------------	------	-------	--------------	-------------	-----	-------	-------------	-------------

Financial Position (BN JPY)

	Sep. 30, 2021	Mar. 31, 2021	Difference	Mar. 31, 2022 Revised Forecast (Nov. 2, 2021)
Total assets	2,450.0	2,300.1	+149.9	2,500.0
Total equity*2	657.6	619.0	+38.6	680.0
Equity ratio	26.8%	26.9%	(0.1)ppt	27.2%
Net interest-bearing debt*3	684.5	610.6	+73.9	780.0
Net D/E ratio (Times)	1.04	0.99	+0.05	1.2
Risk assets	410.0	390.0	+20.0	-
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 Three-year Cumulative Results	FY21 H1 Results	FY21 Forecast	MTP 2023 Three-year Cumulative Forecast
Core operating cash flow	219.0	49.3	85.0-90.0	Approx. 240.0-250.0
Core cash flow	56.0	(2.6)	(35.0)-(45.0)	Positive over the six-year period of MTP 2020 and MTP 2023
FCF	108.0	(37.5)	(75.0)	-

* Medium-Term Management Plan (MTP)

Note: As of the end of September 30, 2021, in addition to cash in bank of ¥254.2 bn, Sojitz maintains a ¥120.0 bn long-term commitment line (which remains unused) and a US\$1.8 bn long-term commitment line (of which US\$1.08 bn has been used).

Commodity Prices and Exchange Rates

	FY20 Results (Apr.-Sep. '20 Avg.)	FY21 Assumption (Annual Avg.)	FY21 Results (Apr.-Sep. '21 Avg.)	Latest Data (As of Oct. 27, 2021)	FY21 Revised Assumption for Second Half of the Year (Nov. 2, 2021)
Coking coal**1	US\$117.4/t	US\$127.5/t	US\$199.5/t	US\$398.0/t	US\$200.0/t
Thermal coal**1	US\$53.1/t	US\$80.0/t	US\$138.3/t	US\$195.2/t	US\$110.0/t
Crude oil (Brent)	US\$36.7/bbl	US\$50.0/bbl	US\$71.2/bbl	US\$84.6/bbl	US\$60.0/bbl**2
Exchange rate**3	¥106.3/US\$	¥108.0/US\$	¥110.1/US\$	¥114.1/US\$	¥108.0/US\$

**1 Coal prices are based on standard market prices and therefore differ from the Company's selling prices.

**2 Assumption of crude oil (brent) for the second half of FY2021 incorporates mainly hedged prices.

**3 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. ¥0.25 bn annually, and total equity by approx. ¥1.5 bn annually.