

Highlights of Consolidated Financial Results for the Year Ended March 31, 2020 (IFRS)

April 30, 2020
Sojitz Corporation

Results Highlights

◆ In the year ended March 31, 2020, the second year of Medium-Term Management Plan 2020, substantial economic slowdown was seen across the world. Factors behind this slowdown included trade friction between the United States and China, deceleration in the economic growth of China, unclear progress regarding the United Kingdom's withdrawal from the European Union, and conditions in the Middle East. Another major factor was the COVID-19 pandemic, which resulted in massive restrictions being placed on the movement of people and goods. Governments worldwide are taking steps to minimize the impacts of this pandemic and bring about a quick conclusion, including countermeasures for combating the spread of the virus as well as financial and fiscal measures.

In this environment, the Company's revenue for the year ended March 31, 2020, was down year on year due to lower revenue in the Chemicals Division, a result of lower transaction volumes of plastic resins and declines in the price of methanol, and in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses.

Profit for the year (attributable to owners of the Company) decreased year on year as a decline in gross profit and share of profit of investments accounted for using the equity method outweighed the benefits of the improved balance of their income and expense stemming from the sale of thermal coal interest.

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

Revenue 1,754.8 billion yen ((101.4) billion yen / (5.5)%)
Gross profit 220.5 billion yen ((20.5) billion yen / (8.5)%)

- Decrease in revenue in the Chemicals Division due to lower transaction volumes of plastic resins and declines in the price of methanol
- Decrease in revenue in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses

Profit for the year (attributable to owners of the Company)
60.8 billion yen ((9.6) billion yen / (13.6)%)

- Decrease in gross profit
- Decrease in Share of profit (loss) of investments accounted for using the equity method

(Reference)

- Effective April 1, 2019, the Company applied IFRS 16—Leases. Following the application of this standard, operating leases and all other lease agreements are, in principle, accounted for in the consolidated statements of financial position. Specific amounts are displayed separately in the consolidated statements of financial position contained as "Lease assets (usage rights assets)" and "Lease liabilities" (under current liabilities and non-current liabilities).

◆ Cash dividend per share for the fiscal year ended March 31, 2020
Year-end 8.50 yen per share (Full year 17.00 yen per share)

◆ Earnings forecast for the fiscal year ending March 31, 2021
Assuming that the global COVID-19 pandemic will continue until the end of June, 2020

- Profit for the year (attributable to owners of the Company) 40.0 billion yen

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

- Cash dividend forecast : Undecided

Sojitz has chosen not to announce dividend forecast for the year ending March 31, 2021 at present. Under MTP2020, our basic policy will be to target a consolidated payout ratio of about 30%.

*1 Core earnings = Gross profit + Selling, general and administrative 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. Based on the information available as of March 31, 2020, the Company assumes that the current situation surrounding the global COVID-19 pandemic will continue until the end of June, 2020, and forward-looking statements are founded on this assumption. 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)			Reasons for the Difference	FY2019 Forecast c	Percentage Achieved a/c
	FY2019 Results a	FY2018 Results b	Difference a-b			
Revenue	1,754.8	1,856.2	(101.4)	Revenue: change in segment Chemicals (58.7) Metals & Mineral Resources (32.7) Automotive (17.2)		
Gross profit	220.5	241.0	(20.5)	Gross profit: change in segment Metals & Mineral Resources (17.2) Chemicals (3.2) Retail & Lifestyle Business (3.2) Energy & Social Infrastructure +7.0	230.0	96%
Selling, general and administrative expenses						
Personnel expenses	(97.9)	(96.7)	(1.2)	Effect of application of new IFRS standard (Leases)		
Non-personnel expenses	(58.4)	(69.3)	10.9			
Depreciation	(16.6)	(6.6)	(10.0)			
Provision of allowance for doubtful accounts	(0.3)	(0.8)	0.5			
(Total selling, general and administrative expenses)	(173.2)	(173.4)	0.2			
Other income/expenses						
Gain/loss on sale and disposal of fixed assets, net	10.3	1.8	8.5	Sales of thermal coal interests		
Impairment loss on fixed assets	(2.8)	(0.5)	(2.3)	Impairment losses related to oil and gas interests and Company-owned ships		
Gain on reorganization of subsidiaries/associates	3.4	8.0	(4.6)			
Loss on reorganization of subsidiaries/associates	(0.5)	(3.1)	2.6			
Other operating income/expenses	(2.9)	(3.8)	0.9			
(Total other income/expenses)	7.5	2.4	5.1		6.0	
Financial income/costs						
Interest earned	6.6	7.1	(0.5)			
Interest expenses	(14.9)	(15.3)	0.4			
(Interest expenses, net)	(8.3)	(8.2)	(0.1)			
Dividends received	4.2	5.2	(1.0)			
Other financial income/costs	(0.1)	0.1	(0.2)			
(Financial income/costs, net)	(4.2)	(2.9)	(1.3)		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	24.9	27.8	(2.9)	Lower profit from ferroalloy producing company and steel operating company	26.0	
Profit before tax	75.5	94.9	(19.4)		82.0	92%
Income tax expenses	(10.9)	(19.7)	8.8		(12.0)	
Profit for the year	64.6	75.2	(10.6)		70.0	92%
(Profit attributable to)						
Owners of the Company	60.8	70.4	(9.6)		66.0	92%
Non-controlling interests	3.8	4.8	(1.0)		4.0	
Core earnings*1	68.4	93.2	(24.8)		76.0	

Comprehensive Income

	(Billions of yen)		
	FY2019 Results a	FY2018 Results b	Difference a-b
Profit for the period	64.6	75.2	(10.6)
Other comprehensive income	(66.9)	(20.2)	(46.7)
Total comprehensive income for the period	(2.3)	55.0	(57.3)
Comprehensive income attributable to:			
Owners of the Company	(4.2)	51.0	(55.2)
Non-controlling interests	1.9	4.0	(2.1)

Cash Flows

	(Billions of yen)		
	FY2019 Results a	FY2018 Results b	Difference a-b
Cash flows from operating activities	40.5	96.5	(56.0)
Cash flows from investing activities	(35.7)	(42.2)	6.5
Free cash flows	4.8	54.3	(49.5)
Cash flows from financing activities	(12.2)	(74.9)	62.7
Core operating cash flow*2	80.2	79.1	1.1
Core cash flow*3	1.3	63.1	(61.8)

Consolidated Statements of Financial Position

	(Billions of yen)			Reasons for the Difference
	Mar. 31, 2020 d	Mar. 31, 2019 e	Difference d-e	
Current assets	1,217.5	1,267.7	(50.2)	
Cash and cash equivalents	272.7	285.7	(13.0)	
Time deposits	7.4	2.9	4.5	
Trade and other receivables	638.1	690.7	(52.6)	Decrease in tobacco and chemicals
Inventories	213.4	220.6	(7.2)	
Other current assets	85.9	67.8	18.1	
Non-current assets	1,012.8	1,029.4	(16.6)	
Property, plant and equipment	158.0	192.9	(34.9)	
Lease assets (usage rights assets)	74.1	-	74.1	Increase due to application of new IFRS standard (Leases)
Goodwill	66.5	66.2	0.3	
Intangible assets	43.4	49.1	(5.7)	
Investment property	18.6	20.9	(2.3)	
Investments accounted for using the equity method	554.7	597.3	(42.6)	Decrease due to change in foreign exchange rates and stock prices
Other non-current assets	97.5	103.0	(5.5)	
Total assets	2,230.3	2,297.1	(66.8)	
Current liabilities	754.4	807.2	(52.8)	
Trade and other payables	481.7	582.4	(100.7)	Decrease in tobacco and chemicals
Lease liabilities	15.3	-	15.3	Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	186.8	149.7	37.1	
Other current liabilities	70.6	75.1	(4.5)	
Non-current liabilities	854.0	828.4	25.6	
Lease liabilities	63.7	-	63.7	Increase due to application of new IFRS standard (Leases)
Bonds and borrowings	706.5	723.6	(17.1)	
Retirement benefit liabilities	22.1	22.1	0.0	
Other non-current liabilities	61.7	82.7	(21.0)	
Total liabilities	1,608.4	1,635.6	(27.2)	
Share capital	160.3	160.3	-	
Capital surplus	146.8	146.6	0.2	
Treasury stock	(10.9)	(0.9)	(10.0)	Purchase of treasury stock
Other components of equity	49.8	107.6	(57.8)	Decrease due to change in foreign exchange rates and stock prices
Retained earnings	233.1	204.6	28.5	Profit for the year +60.8
<small>Total equity attributable to owners of the Company</small>	<small>579.1</small>	<small>618.2</small>	<small>(39.1)</small>	Dividends (22.5)
Non-controlling interests	42.8	43.3	(0.5)	
Total equity	621.9	661.5	(39.6)	
Total liabilities and equity	2,230.3	2,297.1	(66.8)	
Gross interest-bearing debt*	893.3	873.3	+20.0	
Net interest-bearing debt*	613.2	584.7	+28.5	
Net debt/equity ratio (times)**	1.06	0.95	+0.11	
Equity ratio**	26.0%	26.9%	(0.9)ppt	
Current ratio	161.4%	157.1%	+4.3ppt	
Long-term debt ratio	79.1%	82.9%	(3.8)ppt	

* Lease liabilities (under current liabilities and non-current liabilities) have been excluded from 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 of "Equity ratio."

Factors Affecting Circled Figures

Cash flows from operating activities Income from business earnings and reductions in working capital

Cash flows from investing activities Outflows for investment in Telecommunication Infrastructure

Free cash flows Business in Myanmar and Australian coking coal interests

Cash flows from financing activities Outflows due to dividends paid and purchase of treasury stock