

# Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2020 (IFRS)

August 4, 2020

Sojitz Corporation

## Results Highlights

◆ In the three-month period ended June 30, 2020, the movement of people and commodities was greatly restricted by the global COVID-19 pandemic. Although economic activities are gradually being resumed, the speed of recovery is unclear and there is concern regarding the possibility of further stagnation due to a potential second wave of infections. The Company's revenue for the three-month period ended June 30, 2020, was down due to reduced revenue in the Automotive Division, a result of decreases in sales volumes in overseas automobile operations; in the Chemicals Division, a result of falling methanol prices and lower synthetic resin transactions; and in the Metals & Mineral Resources Division, a result of declines in prices and transaction volumes for coal and other resources. Profit for the period (attributable to owners of the Company) decreased year on year as a result of declines in gross profit and share of profit of investments accounted for using the equity method.

The impact of these declines could not be counteracted by the benefits of reductions in non-personnel expenses and other selling, general and administration expenses and an improved balance of other income and expenses due in part to a gain on the partial sale of a natural gas-fired power project company.

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

Revenue 349.3 billion yen ((88.1) billion yen / (20.2)%)

- Decrease in revenue in the Automotive Division due to lower sales volumes in overseas automobile operations
- Decrease in revenue in the Chemicals Division due to declines in the price of methanol and lower transaction volumes of plastic resins
- Decrease in revenue in the Metals & Mineral Resources Division due to lower prices and transaction volumes for coal and other resources

Gross profit 39.0 billion yen ((15.9) billion yen / (29.0)%)

- Decrease in revenue in the Automotive Division due to lower sales volumes in overseas automobile operations
- Decrease in gross profit in the Metals & Mineral Resources Division due to fall in sales prices in overseas coal businesses and gain on sales of assets recorded at the end of the previous fiscal year
- Decrease in gross profit in the Chemical Division due to declines in the price of methanol

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

2.4 billion yen ((11.9) billion yen / (83.3)%)

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

◆ Earnings forecast for the fiscal year ending March 31, 2021

Full-year earnings forecasts were revised as follows.

	FY2020 Initial Forecast	FY2020 Revised Forecast (August 4, 2020)
Gross profit	210.0 billion yen	⇒ 203.0 billion yen
Profit before tax	56.0 billion yen	⇒ 44.0 billion yen
Profit for the year	40.0 billion yen	⇒ 30.0 billion yen

(Assumptions)

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

◆ Cash dividends per share for the fiscal year ending March 31, 2021 (forecast)

Interim : 5.00 yen per share  
Year-end : 5.00 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 + 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 are 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

	FY2020 1Q		FY2019 1Q		Reasons for the Difference	(Billions of yen)	
	Results	Difference	Results	Difference		FY2020 Revised Forecast	Percentage Achieved
	a	a-b	b	a-b		c	a/c
<b>Revenue</b>	349.3	(88.1)	437.4	(88.1)	Revenue: change in segment		
					Automotive (35.7)		
					Chemicals (23.9)		
					Metals & Mineral Resources (14.3)		
<b>Gross profit</b>	39.0	(15.9)	54.9	(15.9)	Gross profit: change in segment		
					Automotive (6.0)	203.0	19%
					Metals & Mineral Resources (4.6)		
					Chemicals (3.7)		
<b>Selling, general and administrative expenses</b>							
Personnel expenses	(23.4)	0.9	(24.3)	0.9			
Non-personnel expenses	(11.2)	3.5	(14.7)	3.5			
Depreciation	(4.3)	(0.5)	(3.8)	(0.5)			
Provision of allowance for doubtful accounts	0.1	0.1	0.0	0.1			
(Total selling, general and administrative expenses)	(38.8)	4.0	(42.8)	4.0		(165.0)	
<b>Other income/expenses</b>							
Gain/loss on sale and disposal of fixed assets, net	0.0	0.0	0.0	0.0			
Impairment loss on fixed assets	0.0	0.0	0.0	0.0			
Gain on reorganization of subsidiaries/associates	2.2	2.2	0.0	2.2	Partial sale of a natural gas-fired power project company		
Loss on reorganization of subsidiaries/associates	0.0	0.0	0.0	0.0			
Other operating income/expenses	(0.6)	(0.4)	(0.2)	(0.4)			
(Total other income/expenses)	1.6	1.8	(0.2)	1.8		(2.0)	
<b>Financial income/costs</b>							
Interest earned	1.2	(0.6)	1.8	(0.6)			
Interest expenses	(3.2)	0.7	(3.9)	0.7			
(Interest expenses, net)	(2.0)	0.1	(2.1)	0.1			
Dividends received	1.1	(0.5)	1.6	(0.5)			
Other financial income/costs	0.0	0.1	(0.1)	0.1			
(Financial income/costs, net)	(0.9)	(0.3)	(0.6)	(0.3)		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	1.7	(5.1)	6.8	(5.1)	Lower profit from steel operating company	13.0	
<b>Profit before tax</b>	2.6	(15.5)	18.1	(15.5)		44.0	6%
<b>Income tax expenses</b>	0.1	2.8	(2.7)	2.8		(12.0)	
<b>Profit for the period (Profit attributable to)</b>	2.7	(12.7)	15.4	(12.7)		32.0	8%
<b>Owners of the Company</b>	2.4	(11.9)	14.3	(11.9)		30.0	8%
Non-controlling interests	0.3	(0.8)	1.1	(0.8)		2.0	
<b>Core earnings*1</b>	0.9	(17.5)	18.4	(17.5)		46.0	

## Consolidated Statements of Financial Position

	Jun. 30,		Mar. 31,		Reasons for the Difference	(Billions of yen)	
	2020	Difference	2020	Difference			
	d	d-e	e	d-e			
<b>Current assets</b>	1,197.9	(19.6)	1,217.5	(19.6)			
Cash and cash equivalents	302.0	29.3	272.7	29.3			
Time deposits	5.8	(1.6)	7.4	(1.6)			
Trade and other receivables	599.3	(38.8)	638.1	(38.8)	Decreases in Chemicals and Automotive		
Inventories	210.2	(3.2)	213.4	(3.2)			
Other current assets	80.6	(5.3)	85.9	(5.3)			
<b>Non-current assets</b>	1,010.1	(2.7)	1,012.8	(2.7)			
Property, plant and equipment	164.9	6.9	158.0	6.9			
Lease assets (usage rights assets)	73.1	(1.0)	74.1	(1.0)			
Goodwill	67.5	1.0	66.5	1.0			
Intangible assets	46.9	3.5	43.4	3.5			
Investment property	12.9	(5.7)	18.6	(5.7)			
Investments accounted for using the equity method	548.0	(6.7)	554.7	(6.7)			
Other non-current assets	96.8	(0.7)	97.5	(0.7)			
<b>Total assets</b>	2,208.0	(22.3)	2,230.3	(22.3)			
<b>Current liabilities</b>	722.7	(31.7)	754.4	(31.7)			
Trade and other payables	446.9	(34.8)	481.7	(34.8)	Decreases in Chemicals and Automotive		
Lease liabilities	15.4	0.1	15.3	0.1			
Bonds and borrowings	193.3	6.5	186.8	6.5			
Other current liabilities	67.1	(3.5)	70.6	(3.5)			
<b>Non-current liabilities</b>	879.9	25.9	854.0	25.9			
Lease liabilities	62.2	(1.5)	63.7	(1.5)			
Bonds and borrowings	727.8	21.3	706.5	21.3			
Retirement benefit liabilities	22.1	0.0	22.1	0.0			
Other non-current liabilities	67.8	6.1	61.7	6.1			
<b>Total liabilities</b>	1,602.6	(5.8)	1,608.4	(5.8)			
Share capital	160.3	-	160.3	-			
Capital surplus	146.8	0.0	146.8	0.0			
Treasury stock	(15.9)	(5.0)	(10.9)	(5.0)	Purchase of treasury stock		
Other components of equity	50.5	0.7	49.8	0.7			
Retained earnings	225.4	(7.7)	233.1	(7.7)	Profit for the year +2.4, Dividends (10.4)		
<b>Total equity attributable to owners of the Company</b>	567.1	(12.0)	579.1	(12.0)			
Non-controlling interests	38.3	(4.5)	42.8	(4.5)			
<b>Total equity</b>	605.4	(16.5)	621.9	(16.5)			
<b>Total liabilities and equity</b>	2,208.0	(22.3)	2,230.3	(22.3)			
Gross interest-bearing debt*	921.1	+27.8	893.3	+27.8			
Net interest-bearing debt*	613.3	+0.1	613.2	+0.1			
Net debt/equity ratio (times)**	1.08	+0.02	1.06	+0.02			
Equity ratio**	25.7%	(0.3)ppt	26.0%	(0.3)ppt			
Current ratio	165.7%	4.3ppt	161.4%	4.3ppt			
Long-term debt ratio	79.0%	(0.1)ppt	79.1%	(0.1)ppt			

\* 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 of "Equity ratio."

## Comprehensive Income

	FY2020 1Q		FY2019 1Q		Factors Affecting Circled Figures
	Results	Difference	Results	Difference	
	a	a-b	b	a-b	
<b>Profit for the period</b>	2.7	(12.7)	15.4	(12.7)	
<b>Other comprehensive income</b>	1.6	18.6	(17.0)	18.6	
<b>Total comprehensive income for the period</b>	4.3	5.9	(1.6)	5.9	
<b>Comprehensive income attributable to:</b>					
<b>Owners of the Company</b>	3.2	5.6	(2.4)	5.6	
Non-controlling interests	1.1	0.3	0.8	0.3	

## Cash Flows

	FY2020 1Q		FY2019 1Q		Factors Affecting Circled Figures
	Results	Difference	Results	Difference	
	a	a-b	b	a-b	
<b>Cash flows from operating activities</b>	15.7	9.4	6.3	9.4	Inflows from business earnings and dividend income
<b>Cash flows from investing activities</b>	2.9	12.6	(9.7)	12.6	Partial sale of a natural gas-fired power project company
<b>Free cash flow</b>	18.6	22.0	(3.4)	22.0	
<b>Cash flows from financing activities</b>	9.5	0.8	8.7	0.8	Inflows from new borrowings on a non-consolidated basis and outflows due to dividends paid and purchase of treasury stock
<b>Core operating cash flow*2</b>	10.9	(11.3)	22.2	(11.3)	
<b>Core cash flow*3</b>	(3.5)	2.1	(5.6)	2.1	