

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2020 (IFRS)

October 30, 2020
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 30, 2020, some of the restrictions placed on the movement of people and commodities in response to the global COVID-19 pandemic were lifted, resulting in the resumption of economic activities. However, conditions have not recovered to the level seen before the pandemic, and there are moves to tighten restrictions in certain regions following resurgences of infections while concern regarding the possibility of further stagnation due to a potential second wave of infections remains constant.

The Company's revenue for the six-month period ended September 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 lower plastic resin transactions and falling methanol prices; and in the Metals & Mineral Resources Division, a result of declines in coal prices and sold a part of coal interests recorded at the end of the previous equivalent period.
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 offset by the benefits of reductions in non-personnel expenses and other selling, general and administrative 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 744.6 billion yen ((149.2) billion yen / (16.7)%)

- Decrease in revenue in the Automotive Division due to lower sales volumes in overseas automobile operations
- Decrease in revenue in the Chemical 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 declines in coal prices and sold a part of coal interests recorded at the end of the previous equivalent period

Gross profit 84.5 billion yen ((25.2) billion yen / (23.0)%)

- 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 declines in coal prices and the sold a part of coal interests recorded at the end of the previous equivalent period
- Decrease in gross profit in the Chemical Division due to declines in the price of methanol and lower transaction volumes of plastic resins

Profit for the period (attributable to owners of the Company)
9.1 billion yen ((20.4) billion yen / (69.0)%)

- 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.
(August 4, 2020)

Gross profit 203.0 billion yen
Profit before tax 44.0 billion yen
Profit for the year 30.0 billion yen

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

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

Interim : 5.00 yen per share
Year-end : 5.00 yen per share (forecast)

- *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 =Cash flow after deducting changes in working capital from operating cash flows calculated for accounting purposes
- *3 Core cash flow = Core operating cash flow + Post-adjustment net cash provided by (used in) investing activities – Dividends paid
(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

	FY2020 1H			FY2019 1H		Reasons for the Difference	(Billions of yen)	
	Results a	1Q Results	2Q Results	Results b	Difference a-b		FY2020 Forecast c	Percentage Achieved a/c
Revenue	744.6	349.3	395.3	893.8	(149.2)	Revenue: change in segment Automotive (45.9) Chemicals (43.2) Metals & Mineral Resources (16.3)		
Gross profit	84.5	39.0	45.5	109.7	(25.2)	Gross profit: change in segment Automotive (7.2) Metals & Mineral Resources (7.0) Chemicals (5.8)	203.0	42%
Selling, general and administrative expenses								
Personnel expenses	(47.0)	(23.4)	(23.6)	(48.4)	1.4			
Non-personnel expenses	(23.5)	(11.2)	(12.3)	(29.0)	5.5			
Depreciation	(8.6)	(4.3)	(4.3)	(8.0)	(0.6)			
Provision of allowance for doubtful accounts	(0.1)	(0.1)	(0.0)	(0.2)	0.3			
(Total selling, general and administrative expenses)	(79.0)	(38.8)	(40.2)	(85.6)	6.6		(165.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	2.1	0.0	2.1	0.4	1.7	Sale of shopping mall		
Impairment loss on fixed assets	0.0	0.0	0.0	(0.5)	0.5			
Gain on reorganization of subsidiaries/associates	2.2	2.2	0.0	0.8	1.4	Partial sale of a natural gas-fired power project company		
Loss on reorganization of subsidiaries/associates	(0.1)	0.0	(0.1)	(0.2)	0.1			
Other operating income/expenses	(0.5)	(0.6)	0.1	(0.4)	(0.1)			
(Total other income/expenses)	3.7	1.6	2.1	0.1	3.6		(2.0)	
Financial income/costs								
Interest earned	3.0	1.2	1.8	3.7	(0.7)			
Interest expenses	(6.2)	(3.2)	(3.0)	(7.7)	1.5			
(Interest expenses, net)	(3.2)	(2.0)	(1.2)	(4.0)	0.8			
Dividends received	1.5	1.1	0.4	2.0	(0.5)			
Other financial income/costs	(0.1)	0.0	(0.1)	(0.1)	0.0			
(Financial income/costs, net)	(1.8)	(0.9)	(0.9)	(2.1)	0.3		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	4.6	1.7	2.9	13.2	(8.6)	Lower profit from steel operating company	13.0	
Profit before tax	12.0	2.6	9.4	35.3	(23.3)		44.0	27%
Income tax expenses	(1.5)	0.1	(1.6)	(3.7)	2.2		(12.0)	
Profit for the period	10.5	2.7	7.8	31.6	(21.1)		32.0	33%
(Profit attributable to)								
Owners of the Company	9.1	2.4	6.7	29.5	(20.4)		30.0	30%
Non-controlling interests	1.4	0.3	1.1	2.1	(0.7)		2.0	
Core earnings*1	8.3	0.9	7.4	35.5	(27.2)		46.0	

Consolidated Statements of Financial Position

	Sep. 30, 2020			Reasons for the Difference
	2020 d	Mar. 31, 2020 e	Difference d-e	
Current assets	1,151.0	1,217.5	(66.5)	
Cash and cash equivalents	315.4	272.7	42.7	
Time deposits	15.1	7.4	7.7	
Trade and other receivables	564.6	638.1	(73.5)	Decrease in Chemicals and Automotive
Inventories	183.8	213.4	(29.6)	Decrease in Automotive
Other current assets	72.1	85.9	(13.8)	
Non-current assets	1,003.7	1,012.8	(9.1)	
Property, plant and equipment	162.8	158.0	4.8	
Lease assets (usage rights assets)	71.0	74.1	(3.1)	
Goodwill	66.7	66.5	0.2	
Intangible assets	47.4	43.4	4.0	
Investment property	13.1	18.6	(5.5)	
Investments accounted for using the equity method	545.4	554.7	(9.3)	
Other non-current assets	97.3	97.5	(0.2)	
Total assets	2,154.7	2,230.3	(75.6)	
Current liabilities	680.1	754.4	(74.3)	
Trade and other payables	444.2	481.7	(37.5)	Decrease in Chemicals and Machinery
Lease liabilities	15.1	15.3	(0.2)	
Bonds and borrowings	141.8	186.8	(45.0)	Decrease in repayment of borrowings
Other current liabilities	79.0	70.6	8.4	
Non-current liabilities	867.2	854.0	13.2	
Lease liabilities	60.0	63.7	(3.7)	
Bonds and borrowings	720.2	706.5	13.7	Increase in issuance of bonds and new borrowings
Retirement benefit liabilities	22.1	22.1	0.0	
Other non-current liabilities	64.9	61.7	3.2	
Total liabilities	1,547.3	1,608.4	(61.1)	
Share capital	160.3	160.3	-	
Capital surplus	146.8	146.8	0.0	
Treasury stock	(15.9)	(10.9)	(5.0)	Purchase of treasury stock
Other components of equity	45.5	49.8	(4.3)	
Retained earnings	232.8	233.1	(0.3)	Profit for the period +9.1
Total equity attributable to owners of the Company	569.5	579.1	(9.6)	Dividends (10.4)
Non-controlling interests	37.9	42.8	(4.9)	
Total equity	607.4	621.9	(14.5)	
Total liabilities and equity	2,154.7	2,230.3	(75.6)	
Gross interest-bearing debt*	862.0	893.3	(31.3)	
Net interest-bearing debt*	531.5	613.2	(81.7)	
Net debt/equity ratio (times)**	0.93	1.06	(0.13)	
Equity ratio**	26.4%	26.0%	0.4ppt	
Current ratio	169.2%	161.4%	7.8ppt	
Long-term debt ratio	83.5%	79.1%	4.4ppt	

* 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."

Comprehensive Income

	FY2020 1H			FY2019 1H	
	Results a	1Q Results	2Q Results	Results b	Difference a-b
Profit for the period	10.5	2.7	7.8	31.6	(21.1)
Other comprehensive income	(3.8)	1.6	(5.4)	(36.9)	33.1
Total comprehensive income for the period	6.7	4.3	2.4	(5.3)	12.0
Comprehensive income attributable to:					
Owners of the Company	5.7	3.2	2.5	(6.6)	12.3
Non-controlling interests	1.0	1.1	(0.1)	1.3	(0.3)

Cash Flows

	FY2020 1H		FY2019 1H		Factors Affecting Circled Figures
	Results a	Difference a-b	Results b	Difference a-b	
Cash flows from operating activities	96.9	61.4	35.5		Reductions in working capital, inflows from business earnings and dividend income
Cash flows from investing activities	(4.3)	(21.3)	17.0		Outflows due to acquisition of fixed assets and inflows from the sale of shopping mall
Free cash flows	92.6	40.1	52.5		
Cash flows from financing activities	(50.5)	(26.7)	(23.8)		Outflows due to repayment of borrowings
Core operating cash flow*2	20.9	44.6	(23.7)		
Core cash flow*3	9.9	8.6	1.3		