

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) | | | |
| Gain on reorganization of subsidiaries/associates | 2.3 | 0.1 | 2.2 | 2.2 | 0.1 | Partial sale of a natural gas-fired power project company 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 | Increase in profit from steel operating company | 31.0 | |
| 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 | 41.5 | 18.0 | 23.5 | 10.5 | 31.0 | | 73.0 | 57% |
| (Profit attributable to) | | | | | | | | |
| 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 | | Factors Affecting Circled Figures |
|---|---------------|-------------|----------------|----------------|---|
| | Results a | Results b | Difference a-b | Difference a-b | |
| Cash flows from operating activities | 29.6 | 96.9 | (67.3) | | Inflows from business earnings and dividend income |
| Cash flows from investing activities | (67.1) | (4.3) | (62.8) | | Outflows due to aircraft-related businesses and investments |
| FCF | (37.5) | 92.6 | (130.1) | | |
| Cash flows from financing activities | 5.2 | (50.5) | 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 | | |
| Core cash flow*3 | (2.6) | 9.9 | (12.5) | | |

Consolidated Statements of Financial Position

| | Sep. 30, 2021 | | Mar. 31, 2021 | | Difference d-e | Factors Affecting Circled Figures |
|---|----------------|----------------|---------------|---|----------------|---|
| | d | e | d | e | | |
| 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 Dividends paid (6.0) |
| Total equity attributable to owners of the Company | 657.6 | 619.0 | 38.6 | | | |
| 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 | | | * 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* | 684.5 | 610.6 | +73.9 | | | |
| Net debt/equity ratio (times)** | 1.04 | 0.99 | +0.05 | | | ** "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** | 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."