

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2021 (IFRS)

February 2, 2022
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2021, the global number of COVID-19 infections remained around the same level, and the economy began to recover. However, COVID-19 cases have once again begun increasing due to the emergence of Omicron and other COVID-19 variants. There is thus a need to carefully monitor the potential market repercussions from factors such as prolonged global supply shortages, inflation, and currency devaluation that may stem from capital outflows in emerging nations due to the monetary tightening measures of central banks such as the FRB.

The Company's revenue for the nine-month period ended December 31, 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 and other 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 1,548.6 bn yen (+388.9 bn yen / +33.5%)

- Increase in the Metals, Mineral Resources & Recycling Div. due to higher coal prices, and an increase in prices and 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 automotive operations

Gross profit 190.7 bn yen (+58.2 bn yen / +43.9%)

- Increase in the Metals, Mineral Resources & Recycling Div. due to an 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 automotive operations

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

62.0 bn yen (+45.3 bn yen / +271.0%)

- 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.

	Revised Forecast (Nov. 2, 2021)		Revised Forecast (Feb. 2, 2022)
Gross profit	240.0 bn yen	⇒	260.0 bn yen
Profit before tax	95.0 bn yen	⇒	108.0 bn yen
Profit for the year (attributable to owners of the Company)	70.0 bn yen	⇒	80.0 bn yen

(Initial Assumptions)

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

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

The end-of-year dividend has been revised from a planned 45.00 yen per share to a planned 58.00 yen per share.

Interim	9.00 yen per share
Year-end (forecast)	58.00 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

(BN JPY)

	FY2021 9-month			FY2020 9-month		Factors Affecting Circled Figures	FY2021	(Revised)
	Results	H1	Q3	Results	Difference		Full-year	Percentage
	a			b	a-b		Forecast	Achieved
							c	a/c
Revenue	1,548.6	1,000.7	547.9	1,159.7	388.9	Revenue: segment changes Metals, Mineral Resources & Recycling +158.4 Chemicals +109.2 Automotive +51.4		
Gross profit	190.7	117.7	73.0	132.5	58.2	Gross profit: segment changes Metals, Mineral Resources & Recycling +28.2 Chemicals +12.0 Automotive +9.9	260.0	73%
SG&A expenses								
Personnel expenses	(74.5)	(47.7)	(26.8)	(70.3)	(4.2)			
Non-personnel expenses	(41.0)	(26.3)	(14.7)	(36.4)	(4.6)			
Depreciation	(13.8)	(9.1)	(4.7)	(12.9)	(0.9)			
Provision of allowance for doubtful accounts	(0.8)	(0.7)	(0.1)	0.1	(0.9)			
(Total SG&A expenses)	(130.1)	(83.8)	(46.3)	(119.5)	(10.6)		(180.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	0.1	0.1	0.0	2.9	(2.8)	→ Sale of shopping mall		
Impairment loss on fixed assets	(1.4)	(0.2)	(1.2)	0.0	(1.4)			
Gain on reorganization of subsidiaries/associates	2.4	2.3	0.1	3.9	(1.5)	→ Solar power generation business company and natural gas-fired power project company → Industrial machinery-related company		
Loss on reorganization of subsidiaries/associates	(3.6)	(0.7)	(2.9)	(0.3)	(3.3)	→ Non-ferrous smelting and refining company		
Other operating income/expenses	(0.1)	0.4	(0.5)	(0.5)	0.4			
(Total other income/expenses)	(2.6)	1.9	(4.5)	6.0	(8.6)		(7.0)	
Financial income/costs								
Interest earned	5.3	3.2	2.1	4.2	1.1			
Interest expenses	(8.3)	(5.5)	(2.8)	(9.1)	0.8			
(Interest expenses, net)	(3.0)	(2.3)	(0.7)	(4.9)	1.9			
Dividends received	4.1	1.9	2.2	2.3	1.8			
Other financial income/costs	0.5	0.2	0.3	(0.2)	0.7			
(Financial income/costs, net)	1.6	(0.2)	1.8	(2.8)	4.4		1.0	
Share of profit (loss) of investments accounted for using the equity method	25.4	16.9	8.5	7.9	17.5	Increase in profit from steel operating company	34.0	
Profit before tax	85.0	52.5	32.5	24.1	60.9		108.0	79%
Income tax expenses	(19.9)	(11.0)	(8.9)	(5.4)	(14.5)		(25.0)	
Profit for the period (Profit attributable to)	65.1	41.5	23.6	18.7	46.4		83.0	78%
Owners of the Company	62.0	39.4	22.6	16.7	45.3		80.0	78%
Non-controlling interests	3.1	2.1	1.0	2.0	1.1		3.0	
Core earnings *1	87.9	51.1	36.8	18.2	69.7		115.0	

Consolidated Statements of Financial Position

	(BN JPY)			Factors Affecting Circled Figures
	Dec. 31, 2021	Mar. 31, 2021	Difference	
	d	e	d-e	
Current assets	1,287.9	1,195.4	92.5	
Cash and cash equivalents	233.6	287.6	(54.0)	
Time deposits	15.4	10.1	5.3	
Trade and other receivables	721.2	636.2	85.0	Increase in chemicals and tobacco
Inventories	225.4	187.9	37.5	Increase in chemicals and real estate held for sale
Other current assets	92.3	73.6	18.7	
Non-current assets	1,221.3	1,104.7	116.6	
Property, plant and equipment	194.8	191.3	3.5	
Lease assets (usage rights assets)	67.0	72.8	(5.8)	
Goodwill	84.5	67.2	17.3	
Intangible assets	64.4	61.5	2.9	
Investment property	13.3	11.6	1.7	
Investments accounted for using the equity method	629.4	590.8	38.6	Increase due to new acquisition and accumulation of share of profit of investments accounted for using the equity method
Other non-current assets	167.9	109.5	58.4	Increase due to aircraft-related businesses
Total assets	2,509.2	2,300.1	209.1	
Current liabilities	796.8	734.8	62.0	
Trade and other payables	543.5	476.0	67.5	Increase in tobacco and chemicals
Lease liabilities	15.3	16.8	(1.5)	
Bonds and borrowings	139.3	158.6	(19.3)	
Other current liabilities	98.7	83.4	15.3	
Non-current liabilities	1,003.4	910.8	92.6	
Lease liabilities	56.8	60.5	(3.7)	
Bonds and borrowings	835.1	749.7	85.4	Increase due to new borrowings
Retirement benefit liabilities	22.0	21.9	0.1	
Other non-current liabilities	89.5	78.7	10.8	
Total liabilities	1,800.2	1,645.6	154.6	
Share capital	160.3	160.3	-	
Capital surplus	147.0	146.8	0.2	
Treasury stock	(30.9)	(15.9)	(15.0)	Purchase of treasury stock
Other components of equity	103.0	77.8	25.2	Increase due to changes in foreign exchange rates and stock prices
Retained earnings	295.3	250.0	45.3	Profit for the period +62.0
Total equity attributable to owners of the Company	674.7	619.0	55.7	Dividends paid (16.4)
Non-controlling interests	34.3	35.5	(1.2)	
Total equity	709.0	654.5	54.5	
Total liabilities and equity	2,509.2	2,300.1	209.1	
Gross interest-bearing debt*	974.4	908.3	+66.1	
Net interest-bearing debt*	725.4	610.6	+114.8	
Net debt/equity ratio (times)**	1.08	0.99	+0.09	
Equity ratio**	26.9%	26.9%	0.0 ppt	
Current ratio	161.6%	162.7%	(1.1) ppt	
Long-term debt ratio	85.7%	82.5%	+3.2 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 when calculating "Equity ratio."

Comprehensive Income

	FY2021 9-month			FY2020 9-month	
	Results	H1	Q3	Results	Difference
	a			b	a-b
Profit for the period	65.1	41.5	23.6	18.7	46.4
Other comprehensive income	28.2	19.2	9.0	3.9	24.3
Total comprehensive income for the period	93.3	60.7	32.6	22.6	70.7
Comprehensive income attributable to:					
Owners of the Company	89.0	58.3	30.7	20.7	68.3
Non-controlling interests	4.3	2.4	1.9	1.9	2.4

Cash Flows

	(BN JPY)			Factors Affecting Circled Figures
	FY2021 9-month	FY2020 9-month	Difference	
	Results a	Results b	a-b	
Cash flows from operating activities	42.2	81.5	(39.3)	Inflows from business earnings and dividend income
Cash flows from investing activities	(104.2)	(20.2)	(84.0)	Outflows due to aircraft-related businesses and investments
FCF	(62.0)	61.3	(123.3)	
Cash flows from financing activities	6.3	(69.6)	75.9	Inflows from new borrowings and outflows due to dividends paid and purchase of treasury stock
Core operating cash flow*2	81.3	39.2	42.1	
Core cash flow*3	(8.9)	5.2	(14.1)	