Summary of Results Briefing for the Nine-Month Period Ended December 31, 2019 (February 5, 2020)

Operating Environment
In the nine-month period ended December 31, 2019, there was no denying the increasingly challenging nature of the operating environment. One factor behind this situation was the sluggish economic trends in China and the Southeast Asian and other emerging economies impacted by this market seen despite the conclusion of the phase one trade deal by the United States and China with regard to the trade friction between these two countries. Another factor was the novel coronavirus epidemic for which neither the potential impacts nor the timing of resolution is clear.

Progress toward the full-year forecast for profit for the year was greatly behind schedule in the nine-month ended December 31, 2019, as a result of the heavy impacts of declines in demand for automobiles, steel, and other items.

Revisions to performance forecasts for certain segments were announced together with financial results for the six-month period ended September 30, 2019, but no revisions were made to consolidated performance forecasts at this point in time.

When announcing financial results for the nine-month period ended December 31, 2019, however, downward revisions were made to full-year forecasts for consolidated performance in reflection of the current deterioration of the operating environment. These revisions saw the full-year forecast for profit for the year (attributable to owners of the Company) lowered from ¥72.0 billion to ¥66.0 billion, a reduction of ¥6.0 billion, or more than 8%. Forecasts for gross profit and profit before tax were also lowered.

Consolidated Statements of Profit or Loss
Revenue was down ¥92.0 billion year on year, to ¥1,318.6 billion. Factors behind this decline included a decrease of ¥47.8 billion in revenue in the Chemicals Division, a result of lower plastic resin transaction volumes in Asia and the falling price of methanol, as well as a decrease of ¥31.2 billion in revenue in the Metals & Mineral Resources Division, a result of declines in the price coal and in transactions volumes.

Gross profit decreased ¥22.4 billion year on year, to ¥159.4 billion. A major factor behind this decrease was a ¥13.8 billion drop in gross profit in the Metals & Mineral Resources Division, which was heavily impacted by falling resource prices.

Selling, general and administrative (SG&A) expenses were up ¥1.8 billion year on year, to ¥129.9 billion, following higher expenses associated with newly consolidated subsidiaries.

Net other expenses of ¥1.3 billion was recorded, down ¥2.9 billion year on year. One factor behind this outcome was sales of non-current assets, such as real estate holdings. Another factor was the rebound from gains recorded in the previous equivalent period on the sales of an automobile assembly and sales company in the Philippines and of an overseas solar power generation business.

Net financial costs amounted to ¥2.5 billion, relatively unchanged year on year, as improved financial income was counterbalanced by a slight decline in dividends received.

Share of profit of investments accounted for using the equity method decreased ¥0.3 billion year on year, to ¥18.5 billion, as a result of lower earnings from steel-related companies, which offset the higher earnings at LNG-related companies well as growth in sales of overseas industrial parks.

Profit before tax was down ¥46.8 billion year on year, to ¥27.4 billion.

Profit for the period decreased ¥16.8 billion year on year, to ¥40.8 billion.

Profit for the period (attributable to owners of the Company) decreased ¥16.2 billion, to ¥37.5 billion. This figured represented progress of 57% toward the revised full-year forecast of ¥66.0 billion

Consolidated Statements of Financial Position
Total assets on December 31, 2019, stood at ¥2,352.0 billion, up ¥54.9 billion from March 31, 2019.

Total liabilities on December 31, 2019, amounted to ¥1,699.3 billion, up ¥63.7 billion from March 31, 2019.

The increases in assets and liabilities were results of the recording of lease assets and lease liabilities following the application of a new IFRS standard.

Total equity attributable to owners of the Company was ¥607.8 billion on December 31, 2019, down ¥10.4 billion from March 31, 2019. Although retained earnings were up ¥12.5 billion, other components of equity were down ¥20.0 billion, largely due to negative foreign currency translations as the Japanese yen remained strong against the U.S dollar, the Australian dollar, and the Brazilian real, and equity decreased ¥3.0 billion as a result of treasury stock acquisitions.

The net debt equity ratio was 0.98 times on December 31, 2019, relatively unchanged from the previous fiscal year-end.

Consolidated Statements of Cash Flows
Net cash provided by operating activities was ¥54.5 billion as a result of business earnings and decreased working capital.

Net cash used in investing activities was ¥35.2 billion primarily because of outflows for new investments and loans totaling ¥52.0 billion, which offset the inflows from asset replacements.

Free cash flow was a positive ¥19.3 billion.

Dividends
There has been no change to the initial plan to issue a year-end dividend of ¥8.50 per share, making for an annual dividend of ¥17.00 per share.

Full-Year Forecasts for the Year Ending March 31, 2020
In addition to the aforementioned revisions to forecasts for gross profit, profit before tax, and profit for the year (attributable to owners of the Company), the forecast for SG&A expenses has been lowered from the figure of ¥178.0 billion announced on November 1, 2019, to ¥175.0 billion, to reflect a ¥3.0 billion reduction in expenses. In addition, although the Company was initially projected to break even in terms of other income and expenses, this outlook has been revised to account for one-time income movements stemming from asset replacement, which has led to a forecast of net other income of ¥6.0 billion.

Performance by Division
Explanations are only provided for those divisions for which downward revisions were instituted to full-year forecasts.

In the Automotive Division, profit for the period (attributable to owners of the Company) amounted to ¥1.3 billion in the nine-month period ended December 31, 2019, representing progress of 24% toward the initial full-year forecast of ¥5.5 billion. This forecast has been lowered by ¥3.5 billion, to ¥2.0 billion, in reflection of sluggish automobile sales in Thailand and lower profit margins.

In the Metals & Mineral Resources Division, the forecast for profit for the year (attributable to owners of the Company) was lowered from the initial forecast of ¥25.0 billion by ¥1.5 billion, to ¥23.5 billion, when announcing financial results for the six-month period ended September 30, 2019. An additional downward revision has been instituted, lowering the full-year forecast to ¥21.5 billion, in response to delays in the launch of new businesses and reduced earnings from steel-related companies accounted for using the equity method stemming from sluggish steel demand.

In the Chemicals Division, the forecast for profit for the year (attributable to owners of the Company) was lowered from the initial forecast of ¥11.0 billion by ¥1.5 billion, to ¥9.5 billion, in reflection of lower plastic resin demand and the falling price of methanol.