Summary of Results Briefing for the Three-Month Period Ended June 30, 2019
(August 1, 2019)

Operating Environment

In the three-month period ended June 30, 2019, the operating environment is growing increasingly more challenging. Factors contributing to this situation include slowdown in the Chinese economy, a result of the trade friction between this country and the United States; tension in the Middle East; and a growing and more diverse range of other causes for opaqueness in the global economy as well as the resulting downward trend in resource prices.

Consolidated Statements of Profit or Loss

Revenue was down ¥30.5 billion year on year, to ¥437.4 billion, due to a decrease of ¥14.7 billion in revenue in the Metals & Mineral Resources Division, a result of fall in prices for coal and other resources, and a decrease of ¥11.4 billion in revenue in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and in the price of methanol.

Gross profit decreased ¥5.0 billion year on year, to ¥54.9 billion. Factors behind this decrease included a decline of ¥2.2 billion in gross profit in the Metals & Mineral Resources Division, a result of the heavy impact of fall in resource prices. Profit was also lower in the Foods & Agriculture Business Division, which was impacted by sluggish performance in overseas fertilizer businesses as a result of a lack of rain and fall in prices for agricultural products, and in the Retail & Lifestyle Business Division, where wooden interior materials businesses struggled due to poor market conditions for import plywood.

Selling, general and administrative (SG&A) expenses were relatively unchanged year on year, at ¥42.8 billion. This outcome was largely a result of the adoption of IFRS—Leases effective April 1, 2019, which caused lease payments previously recorded as non-personnel expenses to be recognized as depreciation on lease assets from the year ending March 31, 2020.

Net other expenses of ¥0.2 billion was recorded, compared with net other income of ¥4.9 billion in the previous equivalent period. No extraordinary income or losses were incurred in the three-month period ended June 30, 2019. Accordingly, the rebound was felt in full from the gains recorded in the previous equivalent period on the sales of an automobile assembly and sales company in the Philippines and of a solar power generation business.

Net financial costs were relatively unchanged year on year at ¥0.6 billion year on year.

Share of profit of investments accounted for using the equity method increased ¥1.2 billion year on year, to ¥6.8 billion, primarily as a result of the robust performance of LNG-related associates.
Profit before tax was up ¥9.2 billion year on year, at ¥18.1 billion.

Profit for the period (attributable to owners of the Company) decreased ¥5.5 billion, to ¥14.3 billion. This figured represented progress of 20% toward the full-year forecast of ¥72.0 billion.

**Consolidated Statements of Financial Position**

Total assets on June 30, 2019, stood at ¥2,348.5 billion, up ¥51.4 billion from March 31, 2019. This increase was primarily a result of an increase of ¥69.8 billion in lease assets stemming from the application of IFRS 16—Leases.

Total liabilities at June 30, 2019, amounted to ¥1,702.9 billion, up ¥67.3 billion from March 31, 2019, mainly attributable to a change in the method of accounting for leases.

Total equity attributable to owners of the Company was ¥601.7 billion on June 30, 2019, down ¥16.5 billion from March 31, 2019. After deducting dividend payments from profit for the period (attributable to owners of the Company), retained earnings were up. However, other components of equity were down due to valuation losses on market securities following stock price decreases as well as negative foreign currency translations as the Japanese yen remained strong against the U.S dollar, the Australian dollar, and the British pound. This factor lowered overall equity.

The net debt equity ratio was 1.00 times on June 30, 2019, an increase of 0.05 times from the previous fiscal year-end.

**Consolidated Statements of Cash Flows**

Net cash provided by operating activities was ¥6.3 billion and core operating cash flow was once again in the positive, this time at ¥22.2 billion, representing a consistent trend. The positive operating cash flows were a result of an increase in working capital associated with the move to bolster tobacco inventories to accommodate the demand rush for tobacco transactions expected to be seen before the consumption tax hike scheduled to take place in Japan on October 1, 2019.

Net cash used in investing activities was ¥9.7 billion primarily because of new investments and loans totaling ¥18.0 billion conducted in the three-month period ended June 30, 2019, for purposes such as investment in an offshore wind power generation business in Taiwan.

Free cash flow was a negative ¥3.4 billion. In addition, core cash flow, which represents core operating cash flow adjusted to reflect post-adjustment net cash used in investing activities and dividends paid, was a negative ¥5.6 billion.
Performance by Divisions

Explanations are only provided for those divisions that experienced significant year-on-year changes in performance or that have low rates of progress toward full-year forecasts.

In the Automotive Division, profit for the period (attributable to owners of the Company) decreased ¥1.6 billion year on year as a result of the absence of the gain on the sale of an automobile assembly and sales company in the Philippines and of the share of profit of investments accounted for using the equity method recorded in the previous equivalent period. However, strong progress of 27% was made toward the full-year forecast due to the continuation of impressive automobile sales in Thailand and Puerto Rico.

In the Aerospace & Transportation Project Division, profit for the period (attributable to owners of the Company) was ¥0.2 billion, representing low progress of 4% toward the full-year forecast. However, this low progress was because of the fact that the recording of earnings in part-out and other aerospace businesses and for the freight railway project in India will be concentrated in the second half of the fiscal year, resulting a low rate of progress in the three-month period ended June 30, 2019. The Company therefore currently has no concerns with regard to the accomplishment of the full-year forecasts.

In the Machinery & Medical Infrastructure Division, profit for the period (attributable to owners of the Company) was ¥0.3 billion, making for progress of 7% toward the full-year forecast. This low progress was a result of the recording earnings from associates and of other machinery-related profits tending to be concentrated in the second half of the fiscal year.

In the Energy & Social Infrastructure Division, profit for the period (attributable to owners of the Company) was ¥0.3 billion, representing slow progress of 5% in comparison to the full-year forecast. This outcome was a result of the recording of earnings from LNG Japan Corporation, Nissho Electronics Corporation, and other associates being concentrated in the fourth quarter of the fiscal year, as is the case each year. The Company therefore currently has no concerns with regard to the accomplishment of the full-year forecasts.

In the Foods & Agriculture Business Division, profit for the period (attributable to owners of the Company) of ¥0.7 billion was recorded, which indicated progress of 16% toward the full-year forecast. This low rate of progress is primarily a result of the sluggish fertilizer demand in mainstay overseas fertilizer businesses in Thailand and Vietnam stemming from a lack of rain and fall in prices of agricultural products. In regard to rain, Thailand experienced rainfall in the weekend of July 27, 2019, and Typhoon 7 is expected to cause concentrated rainfall in the weekend of August 3. However, we will need to cautiously monitor the situation to determine whether we can compensate for the decline in fertilizer sales seen thus far.

In the Retail & Lifestyle Business Division, profit for the period (attributable to owners
of the Company) was ¥1.1 billion, making for progress of 15% toward the full-year forecast. The lower number of purchases of U.S. beef imports in China drove selling prices down, reducing the profit margins of transactions by the Company. In addition, Sojitz Building Materials Corporation suffered a downturn in performance stemming from the deterioration of conditions in the market for import building materials.

In the Industrial Infrastructure & Urban Development Division, loss for the period (attributable to owners of the Company) increased ¥0.7 billion. This situation was primarily a result of the facts that Deltamas City, a major overseas industrial park project, was not turned over in the three-month period ended June 30, 2019, and that few condominiums were turned over in Japan. However, demand for industrial parks remains brisk, and we anticipate that the number of condominiums turned over in Japan will be in line with the previous fiscal year on a full-year basis. Accordingly, the Company have chosen not to revise its forecast at this point in time.