Summary of Results Briefing for the Nine-Month Period Ended December 31, 2017 (February 2, 2018)

Operating Environment
In the nine-month period ended December 31, 2017, stable economic growth continued in both developed countries and emerging countries. Strong performance achieved in the midst of favorable resource price trends prompted the Company to implement an upward revision to its full-year forecasts for the year ending March 31, 2018.

Consolidated Statements of Profit or Loss
Net sales (JGAAP) in the nine-month period ended December 31, 2017, were up ¥390.1 billion year on year, to ¥3,139.4 billion. This increase in sales was the result of massive growth in heat-not-burn cigarette sales in the Retail & Lifestyle Business Division, higher overseas plastic resin transactions and the benefits of the new acquisition of a European chemical distributor and marketing company in the Chemicals Division, strong performance in the Metals & Coal Division stimulated by the continuation of firm market conditions, and favorable overseas automobile sales in the Automotive Division.

Gross profit increased ¥26.8 billion year on year, to ¥168.9 billion. The factors that buoyed net sales also boosted gross profit.

Selling, general and administrative (SG&A) expenses increased ¥7.2 billion year on year, to ¥119.2 billion. This increase was due in part to the rise in SG&A expenses related to newly consolidated subsidiaries in the Automotive Division and the Chemicals Division. In addition, in the nine-month period ended December 31, 2017, the yen depreciated 4% in comparison to the previous equivalent period. As a result, expenses at overseas subsidiaries and operating companies rose on a yen basis.

Net other expenses of ¥2.6 billion was recorded, compared with net other income of ¥4.3 billion in the previous equivalent period.In the nine-month period ended December 31, 2017, a gain on the sale of a North Sea gas interest operating company was recorded.

Operating profit rose ¥12.7 billion year on year, to ¥47.1 billion.

Net financial costs decreased ¥1.4 billion year on year, to ¥3.4 billion.

Share of profit of investments accounted for using the equity method increased ¥6.9 billion year on year, to ¥17.1 billion. This increase was largely a result of higher earnings at steel operating companies following growth in steel product sales volumes.

Profit before tax was up ¥21.0 billion, or 53% year on year, at ¥60.8 billion.

Profit for the period (attributable to owners of the Company) increased ¥14.7 billion, or 49% year on year, to ¥44.8 billion. The full-year forecast for profit for the year (attributable to owners of the Company) was raised to ¥56.0 billion. The figure for the nine-month period ended December 31, 2017, is equivalent to 80% of the revised full-year forecast, representing strong progress.

Consolidated Statements of Financial Position
Total assets on December 31, 2017, stood at ¥2,455.8 billion, up ¥317.3 billion from March 31, 2017. This rise was largely attributable to the particularly substantial increase of ¥130.5 billion in inventories, approximately ¥95.0 billion of which was associated with tobacco-related inventories. In non-current assets, investments accounted for using the equity method, other investments, and other non-current assets increased non-current assets by a total of approximately ¥80.0 billion following smooth progress in investments and loans.

Total liabilities at December 31, 2017, amounted to ¥1,820.6 billion, up ¥260.1 billion from March 31, 2017, following an increase in interest-bearing debt.

Total equity attributable to owners of the Company was ¥601.9 billion on December 31, 2017, up ¥51.4 billion from March 31, 2017. This increase was a result of the accumulation of profit for the period (attributable to owners of the Company) as well as a rise in other components of equity stemming from stock price increases.

Consolidated Statements of Cash Flows
Net cash used in operating activities was ¥62.7 billion following an increase in inventories and other operating assets. Meanwhile, smooth progress in new investments and loans made for net cash used in investing activities of ¥91.0 billion. As a result, free cash flow was a negative ¥153.7 billion. If changes in working capital are excluded, core operating cash flow was over ¥51.8 billion in the positive. Accordingly, there is no cause for concern with regard to cash flows.

Full-Year Forecasts for the Year Ending March 31, 2018
Upward revisions were instituted to the full-year forecasts for various items; Specifically, net sales (JGAAP) was raised from ¥4,100.0 billion to ¥4,200.0 billion, gross profit was raised from ¥227.0 billion to ¥230.0 billion, operating profit was raised from ¥56.0 billion to ¥61.0 billion, profit before tax was raised from ¥70.0 billion to ¥80.0 billion, and profit for the year (attributable to owners of the Company) was raised from ¥50.0 billion to ¥56.0 billion. Based on the upward revisions to full-year forecasts and the Company's basis policy of targeting a consolidated payout ratio of 25%, the forecast for year-end dividends was increased from ¥5 per share to ¥6 per share.

Performance by Segment
Explanations are only provided for segments for which upward revisions were instituted to forecasts.
In the Automotive Division, the full-year forecast for profit for the year (attributable to owners of the Company) was raised by ¥2.0 billion, to ¥7.0 billion. Although there were concerns regarding the potential impacts of hurricanes on automobile dealership operations in Puerto Rico, as explained when announcing financial results for the six-month period ended September 30, 2017, these concerns did not materialize. On the contrary, a special demand trend emerged, resulting in a year-on-year increase in profit.

Another reason for the upward revision was the strong performance in all automobile operations in countries such as Thailand, Russia, and the Philippines.

In the Infrastructure & Environment Business Division, the full-year forecast for profit for the year (attributable to owners of the Company) was increased by ¥1.0 billion, to ¥6.0 billion. One reason for this upward revision was the fact that the initial forecast of ¥5.6 billion had already been achieved in the nine-month period ended December 31, 2017. In addition, we were successful in closing a deal for a hospital project in Turkey during the third quarter, and progress has been smooth in domestic solar power businesses. Accordingly, we decided to move away from our initial conservative outlook.

In the Metals & Coal Division, an additional upward revision of ¥2.0 billion was instituted to the full-year forecast for profit for the year (attributable to owners of the Company), which had previously been raised by ¥4.0 billion when announcing financial results for the six-month period ended September 30, 2017. This revision made for a full-year forecast of ¥19.0 billion. The decision to once again increase this forecast was based largely on the firm prices of coal and other resources.

In the Chemicals Division, the full-year forecast for profit for the year (attributable to owners of the Company) was raised to ¥9.0 billion, an increase of ¥1.0 billion over the previous forecast. This revision was a reflection of strong overseas plastic resin transactions and the high price of methanol.

Forecasts for the Consolidated Statements of Financial Position
The full-year forecast for total assets was raised from ¥2,350.0 billion, to ¥2,400.0 billion. Assets were higher than ¥2,400.0 billion on December 31, 2017, but we plan to downsize operating assets during the fourth quarter. We do not foresee any issues with regard to the forecast of ¥2,400.0 billion.

There has been no revision to the full-year forecast for total equity attributable to owners of the Company of ¥600.0 billion that was disclosed when announcing financial results for the six-month period ended September 30, 2017. Total equity attributable to owners of the Company stood at ¥601.9 billion as of December 31, 2017. However, as of the time of preparation of these materials, the value of the yen was high at around ¥108 to the U.S. dollar. We have therefore chosen to maintain a conservative full-year forecast of ¥600.0 billion to account for both the accumulation of fourth-quarter profit and the potential downward foreign exchange adjustments to result from the strong yen.

The full-year forecast of ¥650.0 billion for net interest-bearing debt announced together with financial results for the six-month period ended September 30, 2017, remains unchanged. As we plan to downsize operating assets during the fourth quarter, we do not foresee any issues with regard to the forecast of ¥650.0 billion.

The net debt equity ratio was 1.28 times on December 31, 2017, an increase from March 31, 2017. Regardless, we anticipate that this ratio will be in line with our initial forecast at the end of the fiscal year.

New Investments and Loans
On December 31, 2017, the Company had already achieved its full-year target for new investments and loans of ¥150.0 billion.

The difference between net cash used in investing activities and the amount of new investments and loans was a result of part-out business and other aircraft-related transactions that were recorded in operating cash flows as well as cash flows of an investment nature added to the amount of new investments and loans in the real estate business.

By achieving the target of ¥300.0 billion worth of new investments and loans set for the three-year period of the current medium-term management plan, we have established the foundations that will be necessary for supporting stable growth going forward.

Future Policies
The full-year forecast for profit for the year (attributable to owners of the Company) is slightly lower than the target of ¥60.0 billion set for the final year of the current medium-term management plan. Nonetheless, in the next medium-term management plan, we intend to conduct earning contribution as we scheduled from the investments and loans executed under the current medium-term management plan. The Company will maintain its focus on financial soundness and investment discipline while working toward these objectives.