Summary of Results Briefing for the Year Ended March 31, 2018 (May 1, 2018)

Operating Environment

In the year ended March 31, 2018, developed countries witnessed ongoing economic growth on the back of increased consumption while emerging countries experienced firm economic conditions. Resource prices remained consistently high.

By segment,

- The Metals & Coal Division enjoyed strong performance thanks to the high resource prices.
- Transactions for packaging materials and other plastic resins proved favorable in Asia amid robust demand.
- The Automotive Division achieved solid performance in automobile wholesale businesses in all overseas regions.
- The Infrastructure & Environment Business Division benefited from earnings contributions from new business initiatives as well as from renewable energy and social infrastructure projects in Japan and overseas.

These factors led the Company to achieve its full-year forecasts, even after implementing an upward revision to these forecasts at the end of the third quarter.

Consolidated Statements of Profit or Loss

Net sales (JGAAP) in the year ended March 31, 2018, were up ¥463.6 billion year on year, to ¥4,209.1 billion. This increase was a result of strong tobacco-related sales in the Retail & Lifestyle Business Division; the benefits higher methanol and rare earth prices, a rise in overseas plastic resin transactions, and the acquisition of a European chemical distributor and marketing company in the Chemicals Division; and higher prices and sales volumes for coal and nonferrous metals in the Metals & Coal Division.

Gross profit increased ¥31.7 billion year on year, to ¥232.4 billion. The factors behind this increase included growth in automobile wholesale businesses in emerging countries and the acquisition of a parts quality inspection business in the United States in the Automotive Division, higher prices of coal and other resources in the Metals & Coal Division, and the commencement of operations at domestic solar power generation projects as well as infrastructure development-related earnings in the Infrastructure & Environment Business Division.

Selling, general and administrative (SG&A) expenses increased ¥9.7 billion year on year, to ¥162.7 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, which saw the acquisition of a European chemical distributor and marketing company.

Net other expenses of ¥9.9 billion were recorded, compared with net other income of ¥3.9 billion in the previous fiscal year. This outcome was largely a result of impairment losses on oil, gas, and ferroalloy interests.

Operating profit rose ¥8.2 billion year on year, to ¥59.8 billion.

Net financial costs decreased ¥1.7 billion year on year, to ¥4.6 billion. This decrease is primarily due to a ¥1.5 billion reductions in net financial costs stemming from higher dividends received, which was attributable to an increase in loans related to infrastructure transactions.

Share of profit of investments accounted for using the equity method increased ¥12.4 billion year on year, to ¥25.1 billion. This increase was mainly attributable to higher earnings at steel operating companies and the rebound from the share of loss in a Brazilian grain collection business recorded in the previous fiscal year.

Profit before tax was up ¥22.2 billion, at ¥80.3 billion.

Profit for the year (attributable to owners of the Company) increased ¥16.0 billion, or 39% year on year, to ¥56.8 billion. This figure is equivalent to 101% of the revised full-year forecast of ¥56.0 billion that was announced together with financial results for the nine-month period ended December 31, 2017, in February 2018.

Performance by Segment in the Year Ended March 31, 2019
Explanations are only provided for segments in which performance differed significantly from the revised full-year forecasts released in February 2018.

The Energy Division was projected to post loss for the year (attributable to owners of the Company) of ¥4.0 billion. However, the actual loss figure came to ¥8.5 billion due to additional impairment losses on oil and gas interests recorded during the fourth quarter.

Profit for the year (attributable to owners of the Company) in the Metals & Coal Division was anticipated to reach ¥19.0 billion. Actual profit for the year in the division exceeded this forecast by roughly ¥3.0 billion, climbing to ¥21.9 billion, as a result of a rise in coal sales volumes as well as increases in the prices of copper, aluminum, and other nonferrous metals seen in the fourth quarter.

Consolidated Statements of Financial Position
Total assets on March 31, 2018, stood at ¥2,350.4 billion, up ¥211.9 billion from March 31, 2017. This increase was mainly attributable to the expansion of tobacco- and automobile-related inventories.

Total liabilities on March 31, 2018, amounted to ¥1,725.3 billion, up ¥164.8 billion from the previous fiscal year-end, following an increase in trade payables as a result of higher business assets.

Total equity attributable to owners of the Company was ¥586.4 billion on March 31, 2018, up ¥35.9 billion from a year earlier. This outcome can be attributed to an increase of ¥44.3 billion in retained earnings after deducting dividends paid from the ¥56.8 billion in profit for the year (attributable to owners of the Company).

Consolidated Statements of Cash Flows
Net cash provided by operating activities amounted to ¥98.8 billion due to revenue growth and higher trade payables. Net cash used in investing activities totaled ¥86.4 billion following outlays for new investments and loans. As a result, free cash flow came to a positive ¥12.4 billion, making for a positive aggregate free cash flow of ¥47.1 billion for the three-year period of Medium-Term Management Plan 2017.

Dividends
For the year ended March 31, 2018, the Board of Directors has resolved to issue a year-end dividend of ¥6.0 per share, making for an annual dividend of ¥11.0 per share. This proposal will be submitted for approval at the Ordinary General Shareholders' Meeting scheduled to be held on June 19, 2018.

Under Medium-Term Management Plan 2020, which began with the year ending March 31, 2019, we chose to raise the target for the consolidated payout ratio to 30%, an increase from the 25% target of Medium-Term Management Plan 2017. Based on this new target, we plan to issue an annual dividend of ¥15.0 per share for the year ending March 31, 2019, comprised of an interim dividend and a year-end dividend of ¥7.5 each.

Forecasts for the Year Ending March 31, 2019
From the year ending March 31, 2019, we will cease to present the figures for net sales (JGAAP), which have been provided for reference purposes, as well as figures for operating profit.

Accordingly, net sales (JGAAP) will be replaced by revenue, its International Financial Reporting Standards equivalent, and forecasts will only be disclosed for profit for the year (attributable to owners of the Company).

In the year ending March 31, 2019, the Company forecasts profit for the year (attributable to owners of the Company) of ¥63.0 billion, an increase of ¥6.2 billion year on year.

Explanations are only provided for segments in which performance is forecast to undergo significant changes from the year ended March 31, 2018.

Profit for the year (attributable to owners of the Company) in the Machinery & Medical Infrastructure Division amounted to ¥6.0 billion in the year ended March 31, 2018. However, this outcome was due in part to earnings from a large-scale social infrastructure development project. As these earnings will be absent in the year ending March 31, 2019, the Company forecasts that profit for the year (attributable to owners of the Company) for this division will come to ¥3.0 billion in this year.

In the Energy & Social Infrastructure Division, loss for the year (attributable to owners of the Company) of ¥6.1 billion was recorded in the year ended March 31, 2018. When considering the rebound from the one-time impairment losses on oil and gas interests recorded in this year as well as the anticipated earnings from domestic and overseas power generation projects, the Company forecasts that this division will post profit for the year (attributable to owners of the Company) of ¥4.5 billion in year ending March 31, 2019.

Forecasts for the Consolidated Statements of Financial Position
Total assets are expected to reach ¥2,400.0 billion on March 31, 2019, an increase of around ¥50.0 billion from March 31, 2018.

Total equity on March 31, 2019, is projected to amount to ¥630.0 billion, an increase of approximately ¥45.0 billion from a year earlier, primarily due to the accumulation of retained earnings after the payment of dividends.

Net interest-bearing debt is expected to rise ¥45.0 billion, to ¥650.0 billion on March 31, 2019.

Commodity Price and Foreign Exchange Assumptions
The full-year forecasts for the year ending March 31, 2019, assume a price of crude oil (Brent) of US$60 per barrel, a price of thermal coal of US$85 per ton, and an exchange rate of ¥105 to US$1.