Summary of Results Briefing for the Nine-Month Period Ended December 31, 2018 (February 5, 2019)

Operating Environment

In the nine-month period ended December 31, 2018, performance was strong with rates of progress of more than 75% toward the revised full-year forecasts for gross profit and for profit for the year (attributable to owners of the Company) announced along with financial results for the six-month period ended September 30, 2018. Contributors to this strong performance included the solid resource prices and increased transactions volumes seen in the first half of the fiscal year as well as earnings contributions from investments and loans conducted under the previous medium-term management plan. However, the current operating environment necessitates caution as the factors stimulating risk-off sentiment and growing more complicated. Examples of these factors include deceleration in the Chinese economy stemming from the trade friction between the United States and China as well as the volatility of resource prices.

Consolidated Statements of Profit or Loss

Revenue was up ¥57.0 billion year on year, to ¥1,410.6 billion.
Factors behind this rise included a year-on-year increase of ¥55.2 billion in revenue in the Metals & Mineral Resources Division, which benefited from consistently high coal prices, growth in transaction volumes, and favorable transactions for ferroalloys and mineral products. Another contributor was the Automotive Division, which saw improved revenue due to the benefits of businesses acquired in the previous fiscal year.

Gross profit increased ¥12.9 billion year on year, to ¥181.8 billion.
Higher profit in the Metals & Mineral Resources Division and the Automotive Division compensated for the decrease in profit in the Machinery & Medical Infrastructure Division, which was a result of the absence of earnings from infrastructure development projects recorded in the previous equivalent period.

Selling, general and administrative (SG&A) expenses increased ¥8.9 billion year on year, to ¥128.1 billion.
This increase was primarily a result of higher SG&A expenses associated with the consolidation of operating companies acquired in the Automotive Division during the previous fiscal year.

Net other income amounted to ¥4.2 billion, compared with net other expenses of ¥2.6 billion in the previous equivalent period.
Sources of income included gains on sales of an automobile assembly and sales business in the Philippines and overseas renewable energy projects conducted in the first quarter as well as gains on sales of oil and gas interests recorded in the second quarter. This income helped us absorb the loss recorded on the sale of a ferroalloy-related business.

Net financial costs decreased ¥0.9 billion year on year, to ¥2.5 billion.
This outcome was a result of higher interest income from infrastructure business financing as well as an increase in dividends received.

Share of profit of investments accounted for using the equity method increased ¥1.7 billion year on year, to ¥18.8 billion.
The impact of the exclusion from the scope of consolidation of an automobile assembly and sales business in the Philippines following its sale was offset by an increase in share of profit of investments of ¥2.0 billion in the Metals & Mineral Resources Division stemming from consistently high resource prices and the strong performance of LNG Japan Corporation attributable to oil price rises.

Profit before tax was up ¥13.4 billion year on year, at ¥74.2 billion.

Profit for the period (attributable to owners of the Company) increased ¥8.9 billion, to ¥53.7 billion. This figured represented progress of 77% toward the full-year forecast of ¥70.0 billion.

Consolidated Statements of Financial Position
Total assets on December 31, 2018, stood at ¥2,322.8 billion, down ¥27.6 billion from March 31, 2018. The Company changed items resulted from the application of a new IFRS standard in the year ending March 31, 2019. Under this new standard, inventories associated with agent transactions in which the Company is not exposed to risks, which were previously recognized as inventories, are now treated as advances paid under trade and other receivables.

Total liabilities on December 31, 2018, amounted to ¥1,681.4 billion, down ¥43.9 billion from March 31, 2018.

Total equity attributable to owners of the Company was ¥598.4 billion on December 31, 2018, up ¥12.0 billion from March 31, 2018. After deducting dividend payments from profit for the period (attributable to owners of the Company), retained earnings were up ¥35.4 billion year on year, which was a cause behind this increase. In addition, other components of equity were down ¥22.8 billion following decreases in the prices of stocks held by the Company and decrease foreign currency translation differences for foreign operations resulted from depreciation in the value of the Australian dollar and of the Brazilian real and currencies of emerging countries.

The net debt equity ratio was 1.09 times on December 31, 2018, an increase of 0.06 times from the previous fiscal year-end.

Consolidated Statements of Cash Flows
Net cash used in operating activities amounted to ¥16.9 billion primarily reflecting business earnings.

Net cash used in investing activities totaled ¥32.5 billion as a result of the ¥70.0 billion worth of investments and loans conducted during the nine-month period ended December 31, 2018.

As a result, free cash flow was a negative ¥15.6 billion.

Core operating cash flow and core cash flow were both positive.

Dividends
Information regarding the dividend forecast has been disclosed separated. Based on full-year forecasts and disclosed dividend policies, the Company has chosen to raise its forecast for the year-end dividend from the prior ¥7.50 per share, to ¥9.50 per share. The amounts for year-end and annual dividend payments must be proposed and approved at the Ordinary General Shareholders' Meeting scheduled for June 2019. If approved, the annual dividend will be raised from the previously forecast level of ¥15.00 per share, to ¥17.00 per share, which is projected to make for a consolidated payout ratio of 30.4%.

Full-Year Segment Forecasts for the Year Ending March 31, 2019
There has been no change to the full-year forecast for profit for the year (attributable to owners of the Company) of ¥70.0 billion announced on November 1, 2018. Details regarding segment forecasts are as follows.

In the Metals & Mineral Resources Division, the full-year forecast for profit for the year (attributable to owners of the Company) was raised by ¥1.0 billion from the prior forecast of ¥28.5 billion, to ¥29.5 billion. In the nine-month period ended December 31, 2018, the rate of progress toward the previous forecast of ¥28.5 billion was 83% as a result of higher prices for coal and other resources and increased transaction volumes. With two months remaining in the year ending March 31, 2019, an upward revision was instituted in consideration of transactions for which contracts are anticipated to be concluded going forward and for transactions for which contracts have been concluded but prices have yet to be determined.

In the Chemicals Division, the full-year forecast for profit for the year (attributable to owners of the Company) was lowered by ¥1.0 billion from the prior forecast of ¥10.5 billion, to ¥9.5 billion. This revision was a reflection of falling prices and lower transaction volumes for plastic resins, a result of economic slowdown in China stemming from trade friction with the United States, as well as a one-time loss on overseas operations recorded in the third quarter. The figure for third-quarter profit for the year (attributable to owners of the Company) of ¥7.0 billion in division represented a rate of progress of 74% toward the revised full-year forecast.

In the Industrial Infrastructure & Urban Development Division, we have chosen not to revise the full-year forecast for profit for the year (attributable to owners of the Company) of ¥1.5 billion, despite recording loss for the period (attributable to owners of the Company) of ¥0.2 billion in the nine-month period ended December 31, 2018. This decision was based on the fact that the earnings of this division are primarily generated through overseas industrial parks and around 75% of all turn overs of industrial parks in the year ending March 31, 2019, are scheduled to take place in the fourth quarter, leading the Company to judge that this forecast is still feasible.

Forecasts for the Consolidated Statements of Financial Position

Based on current conditions, the Company has chosen to revise its forecasts for total assets, total equity attributable to owners of the Company, and net interest-bearing debt on March 31, 2019.

The forecast for total assets was lowered from the initial forecast of ¥2,400.0 billion, to ¥2,320.0 billion.

The forecast for total equity attributable to owners of the Company was reduced to ¥610.0 billion, from the prior forecast of ¥630.0 billion, to reflect depreciation in the value of the Australian dollar and of the Brazilian real and other currencies of emerging countries.

The forecast for net interest-bearing debt was lowered from the prior ¥650.0 billion, to ¥620.0 billion.

There has been no change to the initial forecast of 1.0 times for the net debt equity ratio.