Impairment loss in oil and gas development business in U.S. Gulf of Mexico and impact on overall production plan
Among our multiple development blocks, we changed drilling plans for a block with very high costs. The negative effect from this will not significantly impact the overall production plan.

Cushion in the outlook at the beginning of the year
The impairment loss in the oil and gas development business accounted for about ¥9.0 billion of the ¥11.0 billion (approximate) cushion built into the plan at the beginning of the fiscal year. However, we also expect positive factors including gains on sales of assets. Therefore, we do not think the cushion will be used up entirely.

Agri Business
We were concerned about Helena because planting was delayed due to adverse weather in the U.S., but Helena did their best under the circumstances. Profit is down slightly compared to the forecast at the beginning of the fiscal year.

At Gavilon (grain business), profit was down from the same period last year in both North American grain origination and global operations (Brazil business). When North American operations are slumping, conditions in Brazil are strong to some extent, and that was the case last year, but grain prices in Brazil fell due to expectations of a temporary easing in U.S.–China trade tensions. Consequently, profit in both businesses
declined. Since Q1 is not harvest season, we set the Q1 outlook low every year, and actual profit was higher than the initial forecast.

<2nd questioner>
Level of commodity prices
Other than metals, a number of our other businesses are also subject to the influence of commodity prices, including crude oil, gas and pulp. All except iron ore are weaker compared to both the previous fiscal year and the forecast for the year.

Risk factors in non-resource businesses
Risk factors include deteriorating conditions in commodity markets such as markets for pulp and chicken meat, falling commodity prices in trading businesses such as grains and chemicals, and the effects of adverse weather in the Agri Business. There is concern that overall macroeconomic impacts are showing up indirectly in the drop in commodity prices.

<3rd questioner>
New investments
Taking into account the initial forecast and the medium-term management strategy, Q1 results were unsatisfactory. We have lowered the priority of natural resource investments and investments in which we take a minority stake, such as LNG vessels. However, that does not mean we are substantially reducing the amount of investment in distribution businesses and finance businesses in comparison with past levels. The key is how we will increase investment in those businesses. We have a number of projects that we are launching as green field investments of ¥10.0 - 20.0 billion, and we will be booking those investments. They include the containerboard business and the instant coffee business in Vietnam, as well as the expansion of Creekstone Farms (a beef production, processing and distribution company). We plan to increase these types of projects.

Outlook in the Forest Products segment
While pulp prices were weak, manufacturing-related businesses, primarily domestic containerboard, and domestic sales companies performed well in Q1 compared to the same period last year, and picked up the pace. Conditions in the pulp market will probably remain challenging through the summer, but are expected to improve in Q3 and Q4. This segment was within expectations of the forecast for the year.

Outlook in the Power segment
A certain project saw a decline in profit in Q1 because of the impact of major maintenance operations, but is expected to rebound in Q2. We will also record fee income from deals that we expect to close in Q4, so even though profit declined substantially year-on-year in Q1, it was within the expectations of the forecast for the year.
One-time items
The impairment loss in the oil and gas development business in the U.S. Gulf of Mexico was not included in the initial forecast for the year. Therefore, it had to be absorbed by the cushion we set at the beginning of the fiscal year. Also, I cannot make any firm statements because there are other parties involved, but we think we can manage the loss on a net basis after gains on asset sales. However, we do not intend to rush to sell assets simply to match numbers. Among assets that we were planning to sell originally, there are several that will yield a profit if things go well, including price negotiations. We are not thinking of selling assets that we do not want to sell just to hit a number.

Outlook in the Agri Business segment
The outlook for Agri Business is uncertain, but that is partly because adverse weather in the spring hampered planting; we see plenty of potential for profit to increase in the fall. Helena was behind in Q1, but its profits should increase year-on-year in Q3 if fall fertilizer demand increases.

Changes in business environment in the merchant energy market
We have two merchant power plants in North America, and our exposure at each of them is roughly ¥10.0 billion, therefore these are not investments with potential impairment losses of more than ¥10.0 billion per plant. There are no changes in the business environment as well. Senoko is currently unprofitable because Singapore still has oversupply in the power generation sector, and we do not expect a recovery until around 2023, as initially projected. Likewise, in North America, we believe supply-demand balance issues will gradually improve.

Reasons for expectation of gradual improvement in the supply-demand problem in North America
Our investments are on the east coast, where regional characteristics make it difficult to increase wind power generation significantly. In North America as a whole, there are many aging coal-fired thermal power plants, and the retirement of these plants in the future should lead to improvement in the supply-demand balance.

Changes in soybean sales of U.S. farms
There are no major changes. Farm inventories have decreased recently, but there is a possibility that inventories could swell in the September–October harvest season if the halt of soybean exports to China continues.

Outlook for Roy Hill Iron Ore Project
The Roy Hill iron ore mine is operating steadily at full capacity. If current iron ore prices continue, Roy Hill should continue to contribute to profits.
Risk exposure of oil and gas business in U.S. Gulf of Mexico
At the time of recognizing the impairment loss in the fiscal year ended March 31, 2016, when prices plummeted, the impairment was based on the prices then, so we are not expecting any major impairment loss stemming from price declines. We constantly monitor risks related to reserves and other factors, and while there are currently no projects that would necessitate recognizing an impairment loss, deep-water development projects, by their very nature, always involve risks.

<7th questioner>
Possibility of Musi Pulp Project falling into red in Q2 due to drop in pulp prices
If the decline in pulp prices continues at its current pace, there is a reasonable chance that the Musi Pulp Project will fall into the red.

Outlook for pulp prices
We believe current pulp prices have dropped far more than the fundamentals, for reasons such as excessive inventories, worries about the Chinese economy, and declining demand in summer. Since no new pulp production facilities will go into operation until at least 2021, prices should recover from Q3 through Q4 if reductions are made in pulp inventories.

<8th questioner>
Progress vs. forecast for the year and current status of activities in the Next Generation Business Development segment
In the forecast for the year for Next Generation Business Development, we are projecting a net loss of ¥5.0 billion, and the segment loss of ¥0.6 billion in Q1 was in line with expectations. We have invested in a number of projects to date, but among the largest was the establishment of a corporate venture capital fund with ¥5.0 billion set aside for investment.

It has only been three months since the establishment of the Next Generation Business Development Division, and it is at the stage of determining how it will tackle projects it is currently preparing, and what kind of projects it will undertake in the future.

Progress vs. forecast in Lifestyle segment and Chemicals segment
In Lifestyle, profit was down slightly from the same period last year, and is a little behind the forecast for the year. However, since profit tends to be concentrated in the second half of the fiscal year, we do not see a significant lag compared with the forecast.

As for Chemicals, profit declined in aromatics trading because of the sudden drop in prices, but we see this as a temporary factor, and do not think it will have an impact in Q2 and beyond.