



February 2, 2018

**Summary of the Consolidated Financial Results for the Third Quarter  
of the Fiscal Year Ending March 31, 2018 (FY3/18)  
(Nine Months Ended December 31, 2017)**

**[Japanese GAAP]**

Company name: Yodogawa Steel Works, Ltd. Stock exchange listed: Tokyo, 1st Section  
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 Scheduled date of filing of Quarterly Report: February 9, 2018  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None

*(All amounts are rounded down to the nearest million yen)*

**1. Consolidated Financial Results for the Third Quarter (April 1, 2017 to December 31, 2017) of FY3/18**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Dec. 31, 2017	129,690	16.0	8,795	(9.4)	10,057	(0.5)	6,052	26.3
Nine months ended Dec. 31, 2016	111,840	(9.8)	9,705	99.1	10,109	70.4	4,792	-

Note: Comprehensive income (millions of yen): Nine months ended Dec. 31, 2017: 12,377 (up 204.4%)  
 Nine months ended Dec. 31, 2016: 4,065 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	203.87	203.02
Nine months ended Dec. 31, 2016	159.33	158.70

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2017	216,741	169,640	69.8
As of Mar. 31, 2017	209,977	161,374	68.2

Reference: Shareholders' equity (millions of yen): As of Dec. 31, 2017: 151,318 As of Mar. 31, 2017: 143,241

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	30.00	-	40.00	70.00
Fiscal year ending Mar. 31, 2018	-	35.00	-		
Fiscal year ending Mar. 31, 2018 (Forecast)				35.00	70.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecasts for FY3/18 (April 1, 2017 to March 31, 2018)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	173,000	12.2	9,600	(27.1)	10,900	(20.8)	6,500	(3.5)	219.00

Note: Revisions to the most recently announced consolidated earnings forecast: None

For further details, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec. 31, 2017:	35,837,230 shares	As of Mar. 31, 2017:	35,837,230 shares
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2) Number of treasury shares at the end of the period

As of Dec. 31, 2017:	6,187,067 shares	As of Mar. 31, 2017:	6,028,845 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	29,689,665 shares	Nine months ended Dec. 31, 2016:	30,081,001 shares
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\* The current quarterly financial report is not subject to quarterly review procedures.

\* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. For a discussion of the assumptions for forecasts, precautions concerning usage and other information, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first nine months of the fiscal year ending March 31, 2018, the gradual recovery of the Japanese economy continued as consumer spending remained strong because of the support of a further improvement in corporate earnings, labor market and personal income.

In the United States, the Federal Open Market Committee implemented another interest rate hike in December 2017 as consumer spending remains strong and capital expenditures recover slowly. Economic recoveries are taking place in most European countries, too. In China, there were concerns that measures to stop real estate speculation and tighten financial control may cause economic growth to slow. However, the economic growth rate decreased only slightly due to strong exports and consumer spending.

In the steel industry, shipments of ordinary steel products in Japan were strong as production continued to grow in the automobile, industrial machinery and other key industries.

The global steel market began to weaken in the spring of 2017, starting in China. However, prices of steel products then began to recover because of very strong demand for steel within China and steps by the Chinese government to eliminate low-quality steel made from ferrous scrap. Prices are continuing to move up steadily.

The Yodogawa Steel Group's net sales in the first nine months increased 17,850 million yen to 129,690 million yen. Operating profit decreased 909 million yen to 8,795 million yen, ordinary profit decreased 51 million yen to 10,057 million yen, and profit attributable to owners of parent increased 1,260 million yen to 6,052 million yen.

The main reasons for the growth in sales were revisions to prices of steel sheet products and progress regarding sales of Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS), a subsidiary in China. The main reason for the decline in earnings was lower earnings at Sheng Yu Steel Co., Ltd. (SYSCO), a subsidiary in Taiwan, and at subsidiary PCM Processing (Thailand) Ltd. (PPT).

Results by business segment are as follows.

#### 1) Steel Sheet-related Business

Net sales totaled 120,848 million yen and operating profit was 8,684 million yen.

##### Steel Sheet Segment

In Japan, the volume of steel sold to specific high-demand customers decreased for use in exported products but the sales volume increased for both galvanized and pre-painted sheets used for the manufacture of products sold in Japan. Higher volume along with price revisions resulted in an increase in total sales to high-demand customers. Monetary retail sales of steel for general distribution increased as customers have been accepting most price revisions. The sales volume was higher in non-residential sectors as capital expenditures increased, but total retail sales volume decreased because of weakness in the overall residential market.

In Taiwan, SYSCO's exports to North America declined in the third quarter in response to increasing concerns about the possibility of U.S. steel import restrictions. But the total sales volume was about the same as one year earlier because of orders from buyers in Europe and other locations. However, SYSCO's earnings decreased. One reason was that the growth of Taiwan's steel market stopped for a short time. In China, earnings at YSS improved along with growth in sales volume. In Thailand, sales volume was lower at subsidiary PPT due to price revisions and the higher cost of raw materials caused earnings to decline.

##### Building Material & Exterior Products Segment

Sales of building materials decreased as intense price competition brought down the sales volume in all product categories except YODO fire-proof panel Grand Wall (Grand Wall). There was an improvement in sales of storage sheds along with a recovery in consumer spending and strong sales of garages, warehouses and other large structures. Construction sales increased due to the completion of large projects for the installation of Grand Wall.

As a result, total sales in the steel sheet-related business were higher than one year earlier.

## 2) Roll Business

Sales decreased mainly because of a decline in the volume of iron and steel industry roll sales. As a result, net sales totaled 2,645 million yen and operating profit was 110 million yen.

## 3) Grating Business

There were sales activities to capture more private-sector orders, but sales in this business were lower because of sluggish public-sector sales. As a result, net sales totaled 2,593 million yen and operating profit was 84 million yen.

## 4) Real Estate Business

Sales increased because of the acquisition of a tenant-occupied building and a higher occupancy rate at the properties in this business. As a result, net sales totaled 787 million yen and operating profit was 545 million yen.

## 5) Other Businesses

Higher sales in material sales operations raised sales in other businesses. As a result, net sales totaled 2,816 million yen and operating profit was 256 million yen.

## (2) Explanation of Financial Position

### Assets

Current assets increased by 833 million yen from the end of the previous fiscal year to 115,022 million yen. This was attributable mainly to a decrease of 10,988 million yen in cash and deposits and increases of 4,588 million yen in merchandise and finished goods, 2,962 million yen in notes and accounts receivable-trade, and 2,527 million yen in securities.

Non-current assets increased by 5,930 million yen from the end of the previous fiscal year to 101,719 million yen. This was mainly attributable to an increase of 6,864 million yen in investment securities and a decrease of 835 million yen in property, plant and equipment.

Total assets increased by 6,763 million yen from the end of the previous fiscal year to 216,741 million yen.

### Liabilities

Current liabilities decreased by 1,615 million yen from the end of the previous fiscal year to 28,833 million yen. This was attributable mainly to a decrease of 1,793 million yen in income taxes payable and an increase of 1,838 million yen in notes and accounts payable-trade and a decrease of 669 million yen in short-term loans payable.

Non-current liabilities increased by 113 million yen from the end of the previous fiscal year to 18,268 million yen. This was attributable mainly to an increase of 1,360 million yen in long-term deferred tax liabilities and a decrease of 718 million yen in long-term lease obligations, both of which are included in other under non-current liabilities.

Total liabilities decreased by 1,502 million yen from the end of the previous fiscal year to 47,101 million yen.

### Net assets

Net assets increased by 8,266 million yen from the end of the previous fiscal year to 169,640 million yen. This was attributable mainly to increases of 3,869 million yen in valuation difference on available-for-sale securities and 3,824 million yen in retained earnings.

### **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

The outlook for the global economy is generally positive despite a number of risk factors. Significant risk factors include concerns about a possibility of an economic slowdown in China, tension involving North Korea and uncertainty about the outcome of negotiations for Britain's departure from the European Union.

In Japan, the outlook is for a continuation of a slow economic recovery. Consumer spending is increasing as consumer sentiment improves along with rising stock prices. In addition, the growth in capital expenditures is expected to continue. Japan's economy is also benefiting from higher exports backed by a global recovery in capital expenditures.

The steel market will probably remain healthy for a short time. The increase in steel prices is gaining momentum in response to a reduction in China's production capacity and tighter environmental regulations as well as to the strength of the global economy. In Japan, there are expectations for growth in steel consumption. The main reasons are the start of many construction projects for the Tokyo Olympics in 2020 and strong demand for steel used in machinery as private-sector capital expenditures increase. But the Yodogawa Steel Group anticipates pressure on earnings due to the outlook for a further increase in the cost of hot-rolled steel sheets and zinc, the primary raw materials for the Group's steel products.

In this challenging business climate, group companies will continue to work on revising prices. There will also be more activities to establish a sound foundation for YSS, which is currently the Yodogawa Steel Group's highest priority. One step is working jointly with Shanghai Yodoko Trading Co., Ltd., which was established in November 2017 to strengthen activities for the sale of YSS surface-treated steel sheets to manufacturers of home appliances and electronics.

The forecast for consolidated performance in the current fiscal year is based on this outlook for the economy and steel market.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	FY3/17 (as of Mar. 31, 2017)	Third quarter of FY3/18 (as of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	40,761	29,773
Notes and accounts receivable-trade	41,103	44,066
Securities	-	2,527
Merchandise and finished goods	11,404	15,992
Work in process	3,457	5,147
Raw materials and supplies	10,646	12,292
Other	6,928	5,337
Allowance for doubtful accounts	(113)	(114)
Total current assets	114,188	115,022
Non-current assets		
Property, plant and equipment	50,888	50,052
Intangible assets		
Goodwill	10	8
Other	1,416	1,475
Total intangible assets	1,427	1,483
Investments and other assets		
Investment securities	42,574	49,439
Other	899	743
Allowance for doubtful accounts	(0)	-
Total investments and other assets	43,474	50,183
Total non-current assets	95,789	101,719
Total assets	209,977	216,741
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,800	19,638
Short-term loans payable	669	-
Income taxes payable	2,770	977
Provision for bonuses	1,052	842
Other	8,155	7,374
Total current liabilities	30,448	28,833
Non-current liabilities		
Provision for directors' retirement benefits	94	70
Net defined benefit liability	8,278	7,799
Other	9,781	10,397
Total non-current liabilities	18,154	18,268
Total liabilities	48,603	47,101

	(Millions of yen)	
	FY3/17 (as of Mar. 31, 2017)	Third quarter of FY3/18 (as of Dec. 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	23,220	23,220
Capital surplus	20,388	20,396
Retained earnings	95,664	99,489
Treasury shares	(12,199)	(12,683)
Total shareholders' equity	127,074	130,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,477	18,346
Deferred gains or losses on hedges	-	(0)
Revaluation reserve for land	1,626	1,624
Foreign currency translation adjustment	1,580	2,157
Remeasurements of defined benefit plans	(1,516)	(1,233)
Total accumulated other comprehensive income	16,167	20,895
Subscription rights to shares	205	226
Non-controlling interests	17,927	18,095
Total net assets	161,374	169,640
Total liabilities and net assets	209,977	216,741



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****(Quarterly Consolidated Statement of Income)****(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY3/17 (Apr. 1, 2016 to Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 to Dec. 31, 2017)
Net sales	111,840	129,690
Cost of sales	89,447	107,390
Gross profit	22,392	22,299
Selling, general and administrative expenses	12,687	13,504
Operating profit	9,705	8,795
Non-operating income		
Interest income	221	306
Dividend income	609	746
Share of profit of entities accounted for using equity method	201	280
Other	298	443
Total non-operating income	1,330	1,777
Non-operating expenses		
Interest expenses	129	84
Foreign exchange losses	241	69
Cost for employees transferred temporarily to overseas subsidiaries	212	199
Loss on disposal of PCB	232	-
Arbitration settlement cost	-	120
Other	109	40
Total non-operating expenses	925	514
Ordinary profit	10,109	10,057
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	-	23
Total extraordinary income	0	24
Extraordinary losses		
Loss on sales and retirement of non-current assets	64	86
Impairment loss	740	3
Loss on valuation of investment securities	134	86
Loss on liquidation of subsidiaries and associates	-	33
Total extraordinary losses	939	209
Profit before income taxes	9,170	9,872
Income taxes-current	2,775	2,445
Income taxes-deferred	364	227
Total income taxes	3,140	2,673
Profit	6,030	7,199
Profit attributable to non-controlling interests	1,237	1,146
Profit attributable to owners of parent	4,792	6,052

**(Quarterly Consolidated Statement of Comprehensive Income)****(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY3/17 (Apr. 1, 2016 to Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 to Dec. 31, 2017)
Profit	6,030	7,199
Other comprehensive income		
Valuation difference on available-for-sale securities	2,873	3,824
Deferred gains or losses on hedges	-	(0)
Foreign currency translation adjustment	(5,295)	985
Remeasurements of defined benefit plans, net of tax	431	307
Share of other comprehensive income of entities accounted for using equity method	26	60
Total other comprehensive income	(1,964)	5,178
Comprehensive income	4,065	12,377
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	4,957	10,782
Comprehensive income attributable to non-controlling interests	(891)	1,595

**(3) Notes to Quarterly Consolidated Financial Statements****Going-concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information****Segment information**

## I. First nine months of FY3/17 (Apr. 1, 2016 to Dec. 31, 2016)

Information related to net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on the consolidated statement of income (Note 3)
	Steel Sheet-related Business	Roll Business	Grating Business	Real Estate Business	Total				
Net sales									
External sales	103,313	2,663	2,664	666	109,307	2,532	111,840	-	111,840
Inter-segment sales and transfers	-	-	-	332	332	1,940	2,272	(2,272)	-
Total	103,313	2,663	2,664	998	109,640	4,472	114,113	(2,272)	111,840
Segment profit	9,514	255	117	494	10,382	269	10,651	(946)	9,705

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit includes unallocated expenses of (950) million yen and an elimination for inter-segment transactions of 4 million yen.
3. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

## II. First nine months of FY3/18 (Apr. 1, 2017 to Dec. 31, 2017)

Information related to net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on the consolidated statement of income (Note 3)
	Steel Sheet-related Business	Roll Business	Grating Business	Real Estate Business	Total				
Net sales									
External sales	120,848	2,645	2,593	787	126,874	2,816	129,690	-	129,690
Inter-segment sales and transfers	-	-	-	331	331	1,992	2,323	(2,323)	-
Total	120,848	2,645	2,593	1,118	127,206	4,808	132,014	(2,323)	129,690
Segment profit	8,684	110	84	545	9,425	256	9,681	(886)	8,795

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit includes unallocated expenses of (888) million yen and an elimination for inter-segment transactions of 2 million yen.
3. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*