



November 2, 2018

**Summary of the Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2019 (FY3/19)  
(Six Months Ended September 30, 2018)**

**[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: November 9, 2018  
 Scheduled date of payment of dividend: December 3, 2018  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

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

**1. Consolidated Financial Results for the Second Quarter (April 1, 2018 to September 30, 2018) of FY3/19**

(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	%
Six months ended Sep. 30, 2018	83,678	(1.4)	3,052	(54.8)	4,555	(39.5)	2,838	(36.2)
Six months ended Sep. 30, 2017	84,826	15.7	6,750	7.9	7,529	23.6	4,449	37.7

Note: Comprehensive income (millions of yen): Six months ended Sep. 30, 2018: 1,851 (down 77.5%)  
 Six months ended Sep. 30, 2017: 8,228 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	95.71	95.30
Six months ended Sep. 30, 2017	149.80	149.17

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2018	213,882	170,261	71.4
As of Mar. 31, 2018	215,638	170,574	70.3

Reference: Shareholders' equity (millions of yen): As of Sep. 30, 2018: 152,807 As of Mar. 31, 2018: 151,586

Starting with the beginning of the first quarter of the current fiscal year, Yodogawa Steel Works is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	35.00	-	40.00	75.00
Fiscal year ending Mar. 31, 2019	-	30.00	-	-	-
Fiscal year ending Mar. 31, 2019 (Forecast)	-	-	-	-	-

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

There is currently no forecast for year-end dividends for the fiscal year ending March 31, 2019.

**3. Consolidated Forecasts for FY3/19 (April 1, 2018 to March 31, 2019)**

(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	-	-	-	-	-	-	-	-	-

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

No full year forecasts are presented because of the difficulty of determining a reliable forecast for the Yodogawa Steel Group's results of operations in the fiscal year ending March 31, 2019. 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 Sep. 30, 2018:	35,837,230 shares	As of Mar. 31, 2018:	35,837,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2018:	6,172,579 shares	As of Mar. 31, 2018:	6,185,228 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	29,655,892 shares	Six months ended Sep. 30, 2017:	29,706,498 shares
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\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* 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 half of the fiscal year ending March 31, 2019, the Japanese economy continued to recover slowly as the labor market and personal income improved and corporate capital expenditures increased.

In the United States and Europe, there was a continuation of generally steady economic recoveries although there are concerns about negative effects of trade problems and monetary tightening. In China, there are concerns about slowing economic growth caused by U.S. trade friction and other reasons. But the Chinese economy is remaining generally healthy with the support of the government's monetary easing, higher infrastructure investments and other actions.

In the Japanese steel industry, there was a decline in automobile production caused by heavy rain and flooding in western Japan. However, the business environment was generally favorable due to increasing non-residential construction starts and other reasons.

The global steel industry maintains its recovery trend as crude steel production volume continues to grow steadily in China and other countries.

The Yodogawa Steel Group's net sales in the first half decreased 1,148 million yen to 83,678 million yen. Operating profit decreased 3,698 million yen to 3,052 million yen, ordinary profit decreased 2,974 million yen to 4,555 million yen, and profit attributable to owners of parent decreased 1,611 million yen to 2,838 million yen.

In Japan, sales volume of plated steel sheets for building materials decreased because of sales activities that placed priority on profitability. But total sales in Japan were higher because of progress with price revisions. Earnings decreased mainly because of the higher cost of primary raw materials and the smaller benefit from valuation gains on inventories than in the first half of the previous fiscal year.

Overseas sales and earnings declined. This was caused primarily by the challenging business climate for sales within Taiwan and exports of Sheng Yu Steel Co., Ltd. (SYSCO), a subsidiary in Taiwan.

Yodogawa Steel extends its sincere apology to customers, shareholders and others for the trouble created by improper activities involving the quality of roll products. This problem did not have a significant effect on results of operations in the first half of the current fiscal year.

Results by business segment are as follows.

#### 1) Steel Sheet-related Business

Net sales totaled 77,533 million yen and operating profit was 3,036 million yen.

##### Steel Sheet Segment

In Japan, the sales volume of pre-painted sheets increased mainly because of growth in demand for air conditioners due to unusually hot summer weather and to solid demand for these sheets used for constructing buildings. However, the sales volume was down for plated steel sheets sold to specific high-demand customers and for retail sales for general distribution. The main reasons were the policy of conducting sales activities with emphasis on profitability and delays in deliveries due to typhoon damage.

At Taiwan subsidiary SYSCO, sales and earnings declined for two reasons. First is soft demand for surface-treated steel sheets in Taiwan because of tighter building regulations. Second is a decrease in the sales volume caused by U.S. trade protectionism. In addition, sales and earnings were down at subsidiaries Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS) in China and PCM Processing (Thailand) Ltd. (PPT) in Thailand as prices revisions did not keep up with the upturn in the cost of primary raw materials.

##### Building Material & Exterior Products Segment

In the building materials category, the sales volume of core roofing products decreased because of sales activities that placed priority on profitability. But overall sales increased due to strong sales of YODO fire-proof panel Grand Wall (Grand Wall). In the exterior products category, a series of natural disasters in September kept sales

flat but total first half sales increased because of a recovery in consumer spending. Since first half sales in the previous fiscal year benefited from large projects for the installation of Grand Wall, construction sales were down even though orders were generally strong for logistics, manufacturing and other facilities.

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

## 2) Roll Business

Net sales totaled 1,860 million yen and operating profit was 27 million yen.

Sales increased mainly because of the completion of a large project received for rolls for papermaking.

## 3) Grating Business

Net sales totaled 1,640 million yen and operating profit was 1 million yen.

Sales increased due to strong private-sector demand mainly in the Kanto and Tokai regions while public-sector sales were sluggish.

## 4) Real Estate Business

Net sales totaled 584 million yen and operating profit was 405 million yen.

Sales increased because of a higher occupancy rate at tenant-occupied buildings and higher sales at other leased properties.

## 5) Other Businesses

Net sales totaled 2,060 million yen and operating profit was 171 million yen.

Higher sales in material sales operations raised sales in this segment.

## (2) Explanation of Financial Position

### Assets

Current assets decreased by 244 million yen from the end of the previous fiscal year to 116,414 million yen. This was attributable mainly to an increase of 2,966 million yen in cash and deposits, decreases of 1,881 million yen in notes and accounts receivable-trade and 1,173 million yen in inventories.

Non-current assets decreased by 1,511 million yen from the end of the previous fiscal year to 97,468 million yen. This was mainly attributable to decreases of 781 million yen in leased assets and 688 million yen in buildings and structures.

Total assets decreased by 1,756 million yen from the end of the previous fiscal year to 213,882 million yen.

### Liabilities

Current liabilities decreased by 1,314 million yen from the end of the previous fiscal year to 26,932 million yen. This was attributable mainly to decreases of 755 million yen in lease obligations and 546 million yen in notes and accounts payable-trade.

Non-current liabilities decreased by 128 million yen from the end of the previous fiscal year to 16,688 million yen. This was attributable mainly to a decrease of 114 million yen in provision for waste disposal expenses included in other non-current liabilities.

Total liabilities decreased by 1,443 million yen from the end of the previous fiscal year to 43,621 million yen.

### Net assets

Net assets decreased by 312 million yen from the end of the previous fiscal year to 170,261 million yen. This was attributable mainly to an increase of 1,652 million yen in retained earnings, and decreases of 1,196 million yen in foreign currency translation adjustment and 1,540 million yen in non-controlling interests.

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

Although the global economy is generally healthy, the uncertainty of the economic outlook is increasing. Major causes are problems involving trade, chiefly U.S.-China trade friction, monetary tightening in the United States and Europe, and growing tension in the Middle East.

In Japan, risk factors concerning the economy include increasingly heated trade friction with other countries and the prolonged negative effects of damage caused by natural disasters. Nevertheless, the Japanese economy will probably remain healthy because of a recovery in domestic demand resulting from capital expenditures for the 2020 Tokyo Olympics and projects to improve productivity.

In the steel industry, market conditions are expected to remain firm in Japan. But the outlook for overseas steel markets is becoming increasingly unclear due to the risk of a downturn of the global economy. At the Yodogawa Steel Group, capturing orders is difficult for overseas subsidiaries because of increasingly widespread trade protectionism. Furthermore, prices of hot-rolled steel sheets, zinc and other raw materials are expected to remain high. As a result, we expect significant negative pressure on earnings to continue.

The fiscal year ending in March 2019 is the second year of the Yodogawa Steel Group Medium-Term Management Plan 2019. To achieve the goals of this plan, all companies are working on becoming more profitable by establishing positions in new markets and increasing sales of value-added products while taking full advantage of the speed and flexibility that are key strengths of the group.

No fiscal year forecast is presented because of the difficulty of determining a reliable forecast for the Yodogawa Steel Group's results of operations in the fiscal year ending March 31, 2019 at this time due to the extremely uncertain outlook for the steel market. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/18 (as of Mar. 31, 2018)	Second quarter of FY3/19 (as of Sep. 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	30,716	33,682
Notes and accounts receivable-trade	43,938	42,057
Securities	2,888	2,753
Merchandise and finished goods	16,081	15,561
Work in process	4,684	4,523
Raw materials and supplies	13,122	12,629
Other	5,376	5,355
Allowance for doubtful accounts	(149)	(148)
Total current assets	116,658	116,414
Non-current assets		
Property, plant and equipment	50,509	48,889
Intangible assets		
Goodwill	7	5
Other	1,475	1,436
Total intangible assets	1,482	1,441
Investments and other assets		
Investment securities	46,338	46,399
Other	649	738
Total investments and other assets	46,987	47,137
Total non-current assets	98,980	97,468
Total assets	215,638	213,882
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	18,154	17,608
Short-term loans payable	-	245
Income taxes payable	2,165	1,778
Provision for bonuses	1,056	1,237
Other	6,870	6,063
Total current liabilities	28,247	26,932
Non-current liabilities		
Provision for directors' retirement benefits	66	60
Net defined benefit liability	7,569	7,512
Other	9,181	9,115
Total non-current liabilities	16,817	16,688
Total liabilities	45,064	43,621

	(Millions of yen)	
	FY3/18 (as of Mar. 31, 2018)	Second quarter of FY3/19 (as of Sep. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	23,220	23,220
Capital surplus	20,393	20,385
Retained earnings	100,775	102,428
Treasury shares	(12,679)	(12,650)
Total shareholders' equity	131,710	133,384
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,420	16,998
Revaluation reserve for land	1,646	1,645
Foreign currency translation adjustment	2,798	1,602
Remeasurements of defined benefit plans	(990)	(824)
Total accumulated other comprehensive income	19,875	19,422
Share acquisition rights	223	229
Non-controlling interests	18,764	17,224
Total net assets	170,574	170,261
Total liabilities and net assets	215,638	213,882



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

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 to Sep. 30, 2018)
Net sales	84,826	83,678
Cost of sales	68,974	71,917
Gross profit	15,851	11,761
Selling, general and administrative expenses	9,101	8,709
Operating profit	6,750	3,052
Non-operating income		
Interest income	182	260
Dividend income	430	472
Foreign exchange gains	-	112
Gain on sales of investment securities	26	466
Share of profit of entities accounted for using equity method	180	177
Other	244	191
Total non-operating income	1,064	1,680
Non-operating expenses		
Interest expenses	58	39
Foreign exchange losses	72	-
Cost for employees transferred temporarily to overseas subsidiaries	123	101
Other	31	35
Total non-operating expenses	285	177
Ordinary profit	7,529	4,555
Extraordinary income		
Gain on sales of non-current assets	1	-
Gain on sales of investment securities	23	-
Total extraordinary income	24	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	69	22
Loss on valuation of investment securities	86	12
Impairment loss	3	2
Loss on disaster	-	231
Loss on liquidation of subsidiaries and associates	33	-
Total extraordinary losses	192	269
Profit before income taxes	7,362	4,286
Income taxes-current	2,006	1,527
Income taxes-deferred	(134)	(316)
Total income taxes	1,871	1,210
Profit	5,490	3,075
Profit attributable to non-controlling interests	1,040	236
Profit attributable to owners of parent	4,449	2,838

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

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 to Sep. 30, 2018)
Profit	5,490	3,075
Other comprehensive income		
Valuation difference on available-for-sale securities	2,070	600
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	406	(2,027)
Remeasurements of defined benefit plans, net of tax	230	221
Share of other comprehensive income of entities accounted for using equity method	30	(17)
Total other comprehensive income	2,738	(1,223)
Comprehensive income	8,228	1,851
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,918	2,385
Comprehensive income attributable to non-controlling interests	1,310	(534)

**(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 six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 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	79,147	1,731	1,612	512	83,004	1,822	84,826	-	84,826
Inter-segment sales and transfers	-	-	-	221	221	1,293	1,515	(1,515)	-
Total	79,147	1,731	1,612	733	83,225	3,116	86,342	(1,515)	84,826
Segment profit	6,665	90	49	349	7,155	206	7,362	(611)	6,750

- 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 (613) million yen and an elimination for inter-segment transactions of 1 million yen.
3. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

## II. First six months of FY3/19 (Apr. 1, 2018 to Sep. 30, 2018)

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	77,533	1,860	1,640	584	81,618	2,060	83,678	-	83,678
Inter-segment sales and transfers	-	-	-	221	221	1,188	1,409	(1,409)	-
Total	77,533	1,860	1,640	805	81,839	3,248	85,088	(1,409)	83,678
Segment profit	3,036	27	1	405	3,471	171	3,642	(590)	3,052

- 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 (591) million yen and an elimination for inter-segment transactions of 1 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.*