



November 1, 2019

# **Summary of the Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (FY3/20) (Six Months Ended September 30, 2019)**

**[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 8, 2019

Scheduled date of payment of dividend: December 2, 2019

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, 2019 to September 30, 2019) of FY3/20**

(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, 2019	78,261	(6.5)	2,906	(4.8)	3,312	(27.3)	1,998	(29.6)
Six months ended Sep. 30, 2018	83,678	(1.4)	3,052	(54.8)	4,555	(39.5)	2,838	(36.2)

Note: Comprehensive income (millions of yen): Six months ended Sep. 30, 2019: 1,456 (down 21.4%)

Six months ended Sep. 30, 2018: 1,851 (down 77.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	67.80	67.53
Six months ended Sep. 30, 2018	95.71	95.30

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	204,579	167,812	73.8
As of Mar. 31, 2019	209,465	167,671	71.7

Reference: Shareholders' equity (millions of yen): As of Sep. 30, 2019: 151,056 As of Mar. 31, 2019: 150,236

## **2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	30.00	-	40.00	70.00
Fiscal year ending Mar. 31, 2020	-	30.00			
Fiscal year ending Mar. 31, 2020 (Forecast)			-	-	-

Note: Revisions to the most recently announced dividend forecast: Yes

There is currently no forecast for a year-end dividend for the fiscal year ending March 31, 2020.

## **3. Consolidated Forecasts for FY3/20 (April 1, 2019 to March 31, 2020)**

(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 fiscal year forecast is shown because of the difficulty of determining a reliable forecast at this time.

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 3.

**\* 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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: For further details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8.

(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, 2019:	35,837,230 shares	As of Mar. 31, 2019:	35,837,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	6,361,450 shares	As of Mar. 31, 2019:	6,361,610 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	29,475,946 shares	Six months ended Sep. 30, 2018:	29,655,892 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 management of Yodogawa Steel Works at the time the materials were prepared. These materials are not promises by Yodogawa Steel Works 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 3.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2020, although exports were sluggish, the Japanese economy generally continued to recover slowly with the support of consumer spending and capital expenditures.

The U.S. economy continued to recover because of growing consumer spending and other reasons. However, economy is negative in Asia and Europe because of slowing economic growth in China and geopolitical risk involving U.S.-China trade friction, tension concerning Iran and other events.

The steel market in Japan was generally strong during the fiscal year's first half, although there was weakness in some categories of demand as residential and other building construction starts declined and sales of home appliances decreased.

In the global steel market, steelmakers in China continued to raise output despite U.S. restrictions on steel imports and slowing economic growth in China. As a result, prices of steel products have been weak, mainly in Asia.

The Yodogawa Steel Group's net sales in the first half decreased 5,416 million yen to 78,261 million yen. Operating profit decreased 145 million yen to 2,906 million yen, ordinary profit decreased 1,242 million yen to 3,312 million yen, and profit attributable to owners of parent decreased 839 million yen to 1,998 million yen.

In Japan, sales were higher than one year earlier due to an increase in retail sales of steel sheets for general distribution and sales growth in exterior products. Earnings in Japan declined mainly because of the higher cost of major raw materials and a smaller contribution to earnings from inventory valuations than one year earlier.

Overseas, sales and earnings decreased at Taiwan subsidiary Sheng Yu Steel Co., Ltd. (SYSCO) as the business climate remained challenging. Sales were down but losses were smaller at subsidiaries Yodogawa Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS) in China and PCM Processing (Thailand) Ltd. (PPT) in Thailand.

Results by business segment are as follows.

#### 1) Steel Sheet-related Business

Net sales totaled 72,484 million yen and operating profit was 3,031 million yen. Sales and earnings declined.

##### Steel Sheet Segment

In Japan, there was a decrease in sales of plated steel sheets to specific high-demand customers caused in part by an increase in Japan's imports of these sheets. Sales of pre-painted sheets were slow in the home appliance category and export sector, where market conditions are sluggish, but the sales volume of these sheets was higher in the building materials category. Sales of steel sheets for general distribution were about the same as one year earlier as sales volumes of plated steel sheets and pre-painted steel sheets increased.

At Taiwan subsidiary SYSCO, the sales decreased mainly because of U.S. trade protectionism. In addition, sales were lower at YSS in China and PPT in Thailand, but the profitability of these two companies improved.

##### Building Material & Exterior Products Segment

Sales decreased in the building materials category due to the low volume of sales in all sectors. Sales of exterior products increased due to a result of price revisions. Construction sales were higher because of an increase in completions of large projects.

#### 2) Roll Business

Net sales totaled 1,435 million yen and operating loss was 160 million yen.

Sales and earnings decreased because of the decrease of shipments caused by problems created by improper activities involving the quality of roll products last year.

**3) Grating Business**

Net sales totaled 1,719 million yen and operating profit was 31 million yen.

Sales and earnings increased because of steady progress with price revisions and the large volume of sales.

**4) Real Estate Business**

Net sales totaled 602 million yen and operating profit was 424 million yen.

Sales and earnings increased because of a higher occupancy rate at tenant-occupied buildings.

**5) Other Businesses**

Net sales totaled 2,020 million yen and operating profit was 172 million yen.

Sales decreased because of lower sales in the engineering business, but earnings increased due to an improvement in the profitability of materials sales operations.

**(2) Explanation of Financial Position****Assets**

Current assets decreased by 5,093 million yen from the end of the previous fiscal year to 115,662 million yen. This was attributable mainly to a decrease of 6,826 million yen in cash and deposits, a decrease of 1,605 million yen in notes and accounts receivable-trade, and an increase of 2,985 million yen in securities.

Non-current assets increased by 207 million yen from the end of the previous fiscal year to 88,917 million yen. This was mainly attributable to an increase of 1,161 million yen in investment securities and a decrease of 1,091 million yen in property, plant and equipment.

Total assets decreased by 4,885 million yen from the end of the previous fiscal year to 204,579 million yen.

**Liabilities**

Current liabilities decreased by 5,481 million yen from the end of the previous fiscal year to 21,687 million yen. This was attributable mainly to a decrease of 3,771 million yen in notes and accounts payable-trade.

Non-current liabilities increased by 455 million yen from the end of the previous fiscal year to 15,080 million yen. This was attributable mainly to an increase of 516 million yen in deferred tax liabilities included in other non-current liabilities.

Total liabilities decreased by 5,026 million yen from the end of the previous fiscal year to 36,767 million yen.

**Net assets**

Net assets increased by 140 million yen from the end of the previous fiscal year to 167,812 million yen. This was attributable mainly to an increase of 819 million yen in retained earnings, an increase of 638 million yen in valuation difference on available-for-sale securities, a decrease of 709 million yen in foreign currency translation adjustment, and a decrease of 697 million yen in non-controlling interests.

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

There is an increasing risk of slower global economic growth despite the continuation of the U.S. economic recovery. The main reasons are the outlook for the gradual decline in China's growth rate to continue, concerns about U.S.-China trade friction and other trade problems, and the rising cost of crude oil.

In Japan, the economy is expected to continue recovering at a moderate pace mainly with the support of improvements in the labor market and personal income. However, the outlook is becoming increasingly uncertain. One reason is the rising level of risk associated with a downturn in consumer spending following the October 2019 consumption tax hike, slowing economic growth in China and the rising cost of crude oil. Damage caused

by a recent severe typhoon is also making the economic outlook unclear.

In the steel industry, the risk of a downturn is growing as the outlook for steel demand in Japan and overseas becomes increasingly unclear. 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.

All companies are working on becoming more profitable. Companies are 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 Yodogawa Steel Group.

Determining a reliable forecast for the fiscal year is not possible at this time because of the increasing uncertainty about the business climate in Japan and overseas for the Yodogawa Steel Group. 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)	
	FY3/19 (as of Mar. 31, 2019)	Second quarter of FY3/20 (as of Sep. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	36,843	30,017
Notes and accounts receivable-trade	44,018	42,412
Securities	3,494	6,480
Merchandise and finished goods	15,519	16,156
Work in process	4,397	3,994
Raw materials and supplies	12,733	12,081
Other	3,881	4,652
Allowance for doubtful accounts	(132)	(132)
Total current assets	120,755	115,662
Non-current assets		
Property, plant and equipment	48,126	47,035
Intangible assets	1,472	1,613
Investments and other assets		
Investment securities	38,292	39,453
Other	817	813
Total investments and other assets	39,109	40,267
Total non-current assets	88,709	88,917
Total assets	209,465	204,579
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	17,858	14,087
Short-term borrowings	327	546
Income taxes payable	1,736	1,034
Provision for bonuses	971	1,152
Other	6,274	4,865
Total current liabilities	27,168	21,687
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	66	73
Retirement benefit liability	7,154	7,085
Other	7,403	7,921
Total non-current liabilities	14,624	15,080
Total liabilities	41,793	36,767
<b>Net assets</b>		
Shareholders' equity		
Share capital	23,220	23,220
Capital surplus	20,385	20,384
Retained earnings	104,961	105,780
Treasury shares	(13,061)	(13,061)
Total shareholders' equity	135,505	136,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,213	12,851
Deferred gains or losses on hedges	-	(0)
Revaluation reserve for land	1,639	1,639
Foreign currency translation adjustment	1,378	669
Remeasurements of defined benefit plans	(500)	(428)
Total accumulated other comprehensive income	14,730	14,731
Share acquisition rights	210	228
Non-controlling interests	17,225	16,527
Total net assets	167,671	167,812
Total liabilities and net assets	209,465	204,579

**(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 FY3/19 (Apr. 1, 2018 to Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 to Sep. 30, 2019)
Net sales	83,678	78,261
Cost of sales	71,917	66,742
Gross profit	11,761	11,519
Selling, general and administrative expenses	8,709	8,612
Operating profit	3,052	2,906
Non-operating income		
Interest income	260	260
Dividend income	472	462
Foreign exchange gains	112	-
Gain on sales of investment securities	466	0
Share of profit of entities accounted for using equity method	177	257
Other	191	166
Total non-operating income	1,680	1,146
Non-operating expenses		
Interest expenses	39	44
Foreign exchange losses	-	39
Cost for employees transferred temporarily to overseas subsidiaries	101	83
Loss on valuation of derivatives	-	546
Other	35	26
Total non-operating expenses	177	740
Ordinary profit	4,555	3,312
Extraordinary income		
Gain on sales of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	22	56
Loss on valuation of investment securities	12	356
Impairment loss	2	0
Loss on disaster	231	20
Total extraordinary losses	269	434
Profit before income taxes	4,286	2,878
Income taxes-current	1,527	973
Income taxes-deferred	(316)	(14)
Total income taxes	1,210	958
Profit	3,075	1,920
Profit (loss) attributable to non-controlling interests	236	(78)
Profit attributable to owners of parent	2,838	1,998



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

	(Millions of yen)	
	First six months of FY3/19 (Apr. 1, 2018 to Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 to Sep. 30, 2019)
Profit	3,075	1,920
Other comprehensive income		
Valuation difference on available-for-sale securities	600	734
Deferred gains or losses on hedges	-	(0)
Foreign currency translation adjustment	(2,027)	(1,270)
Remeasurements of defined benefit plans, net of tax	221	105
Share of other comprehensive income of entities accounted for using equity method	(17)	(32)
Total other comprehensive income	(1,223)	(463)
Comprehensive income	1,851	1,456
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,385	1,999
Comprehensive income attributable to non-controlling interests	(534)	(543)

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **Going-concern Assumption**

Not applicable.

#### **Significant Changes in Shareholders' Equity**

Not applicable.

#### **Changes in Accounting Policies**

Beginning with the first quarter of the fiscal year ending March 31, 2020, Yodogawa Steel Works is applying Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements (Practical Issues Task Force (PITF) No. 18, June 28, 2019) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24, September 14, 2018). When International Financial Reporting Standard No. 9 “Financial Instruments” is used for foreign subsidiaries, etc. and the option of including in other comprehensive income subsequent revisions to the fair values of equity instruments has been selected, then for the preparation of the consolidated financial statements, the amounts of gains or losses and of asset impairment charges concerning these equity instruments are included in the statement of income for the applicable fiscal year.

This change had no effect on the consolidated statement of income for the first half.

**Segment and Other Information****Segment information****I. 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.

**II. First six months of FY3/20 (Apr. 1, 2019 to Sep. 30, 2019)**

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	72,484	1,435	1,719	602	76,241	2,020	78,261	-	78,261
Inter-segment sales and transfers	-	-	-	221	221	1,259	1,480	(1,480)	-
Total	72,484	1,435	1,719	823	76,462	3,279	79,742	(1,480)	78,261
Segment profit (loss)	3,031	(160)	31	424	3,327	172	3,500	(593)	2,906

- 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 (loss) includes unallocated expenses of (593) million yen and an elimination for inter-segment transactions of 0 million yen.
3. Segment profit (loss) 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.*