

YODOKO REPORT

119th Term Report

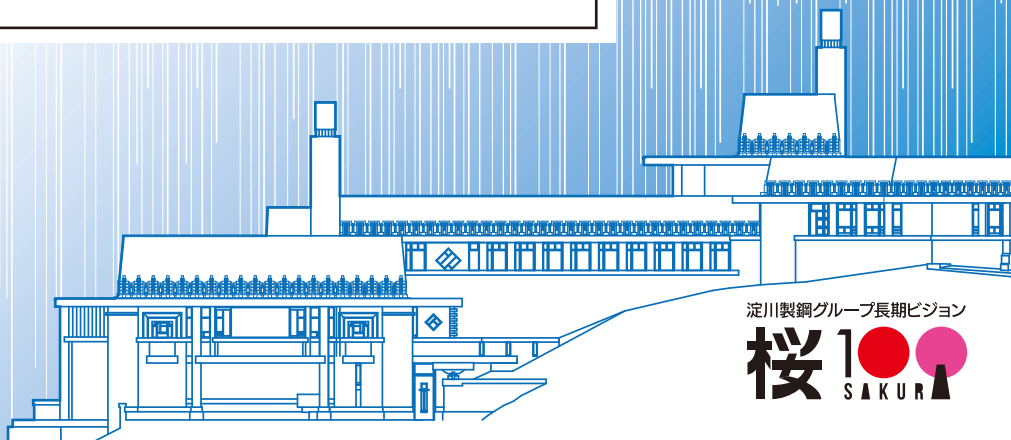
April 1, 2017–March 31, 2018

YODOGAWA STEEL WORKS

Steel sheet, Building material, Exterior, Roll, Grating

Yodogawa Steel Works, Ltd.

Securities identification code: 5451



淀川製鋼グループ長期ビジョン



Since our founding in 1935, we have been an independent iron and steel manufacturer focusing on surface-treated steel sheet and its downstream building materials business, in addition to steel roll and steel grating business derived from the electric furnace business, to which we have added engineering and real estate businesses as well. With these segments, we have grown as a corporate group that enjoys a unique presence.

As the business environment surrounding the Group changes with increasing volatility, we formulated a Long-Term Vision and, from FY2017, the Yodogawa Steel Group Medium-Term Management Plan 2019

(which is a three-year plan) in order to achieve sustainable growth under this environment and to act on our belief that sharing a future vision with stakeholders will be effective for increasing the vitality of the Group. With this fiscal year marking the second year of the plan, we will put the Group's collective strength toward further accelerating initiatives for achieving the medium-term management plan targets and boosting corporate value.

We would like to sincerely ask for your continued support and encouragement going forward.

June 2018



Yodogawa Steel Group Business Philosophy

Basic Philosophy

Create Value with New Originality.

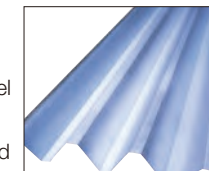
The Yodogawa Steel Group declares its basic philosophy to be, "Create Value with New Originality," centered on surface-treated steel sheets with the goal of being a valued, needed company that has earned the trust of society.

Business Philosophy

Win the trust of customers and shareholders, and create the functional capabilities expected by them. Aim to be the best manufacturer to meet the broad needs of society. Grow by taking up the challenge to innovate and by expanding based on the individual creativity of each employee. Work in harmonious coexistence with society and the natural environment.

Yodoko's History of Challenging Itself to Pursue Value Creation

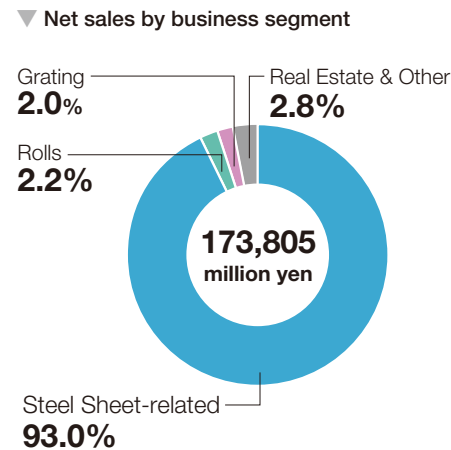
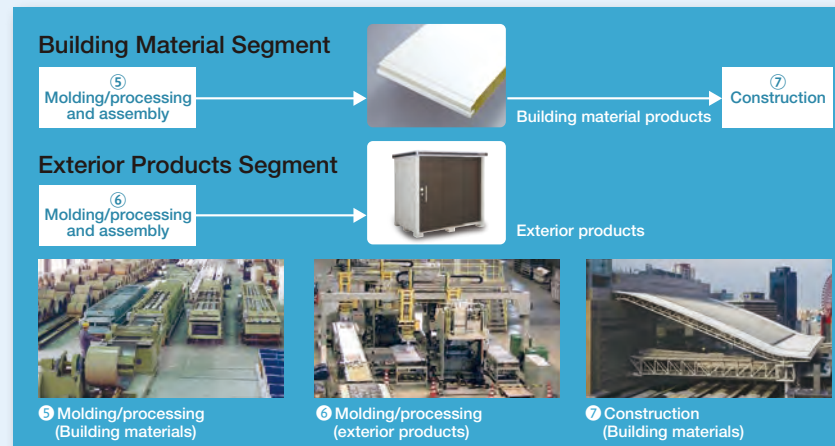
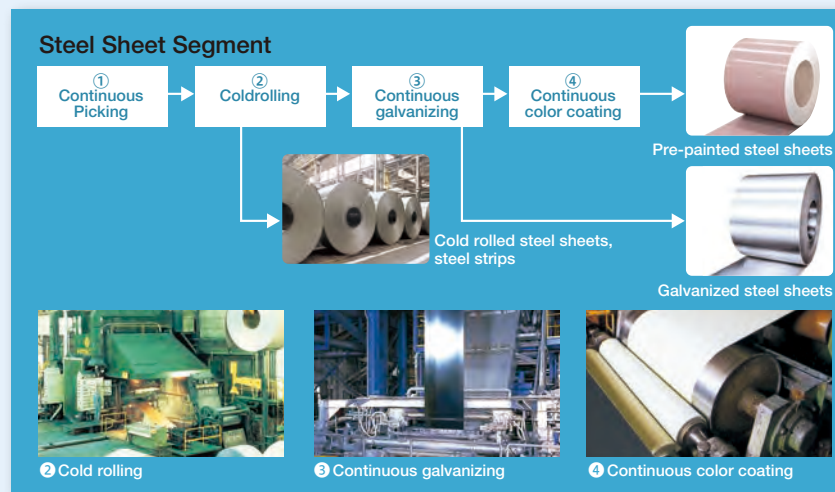
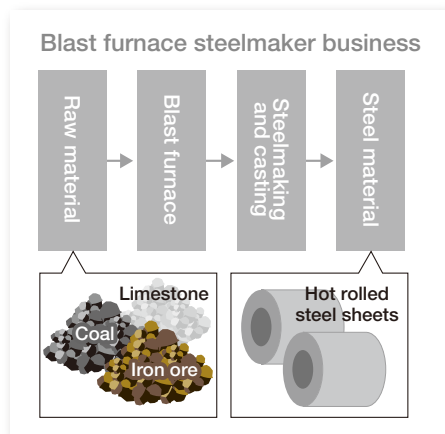
- 1935** Founded the Company (at the site of the existing Osaka Plant) in Osaka city, Japan on January 30 for the purpose of production and sales of steel sheets and other products
- 1940** Started manufacture of galvanized steel sheet
- 1948** Started manufacture of cast iron and steel rolls
- 1951** Constructed Izumiotsu Plant for manufacture of various steel products
- 1954** Constructed Kure Plant for manufacture of cold rolled steel sheets and other products
- 1963** Started manufacturing using a continuous hot-dip galvanized steel sheet line
- 1964** Started manufacture of pre-painted steel sheet



- 1965** Started manufacture and sales of building materials
- 1970** Started manufacture and sales of exterior products
- 1972** Constructed Ichikawa Plant for manufacture of cold rolled steel sheets and other products
- 1986** Started manufacture of galvalume steel sheets
- 1994** Made Sheng Yu Steel Co., Ltd. (Taiwan) a subsidiary
- 1999** Established PCM Processing (Thailand) Ltd. in Thailand
- 2007** Started sales of chromate-free pre-painted steel sheet for roofing and siding (first in this industry)
- 2011** Established Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. in China



We develop and deliver distinctive products addressing safety, security, the environment, and esthetics in a variety of business areas.



Steel Sheet-related Business

Steel Sheet Segment

Delivering Products that Perfectly Match Customer Needs

High-quality steel sheets originating from years of accumulated technologies are used for a variety of industrial purposes, such as in construction and in the manufacture of electric appliances and housing equipment. Through the development of highly functional, value-added, and environmentally friendly products, our Company meets the demands of customers and the modern age.



Example of product use in electric appliances



Example of product use in interior building materials

Building Material & Exterior Products Segment

Building Materials and Exteriors: Part of our Society and Daily Lives

From molding and processing technology gained through our integrated steel sheet manufacturing, to our nationwide sales and service network, we make the most of years of experience to produce a variety of pioneering products that include steel-sheet building materials and exterior products.



YODO fire-proof panel Grand Wall installation example



Yodo-Garage Emerge II

Roll Business

World-Renowned Rolls Built on Sound Technology and Quality

With products that range from rolls for the steel industry created with one of the world's largest centrifugal casting facilities, to equipment for the paper industry including rolls and peripheral equipment, Yodogawa is one of Japan's leading roll manufacturers.



Grating Business

Yodogawa Gratings Support Safe and Comfortable Environments

Gratings are an integral part of the roads, parks, and different infrastructure that supports safe and secure lifestyles. With these lifestyles in mind, we provide a range of products that are environmentally friendly, people-friendly, and safe.

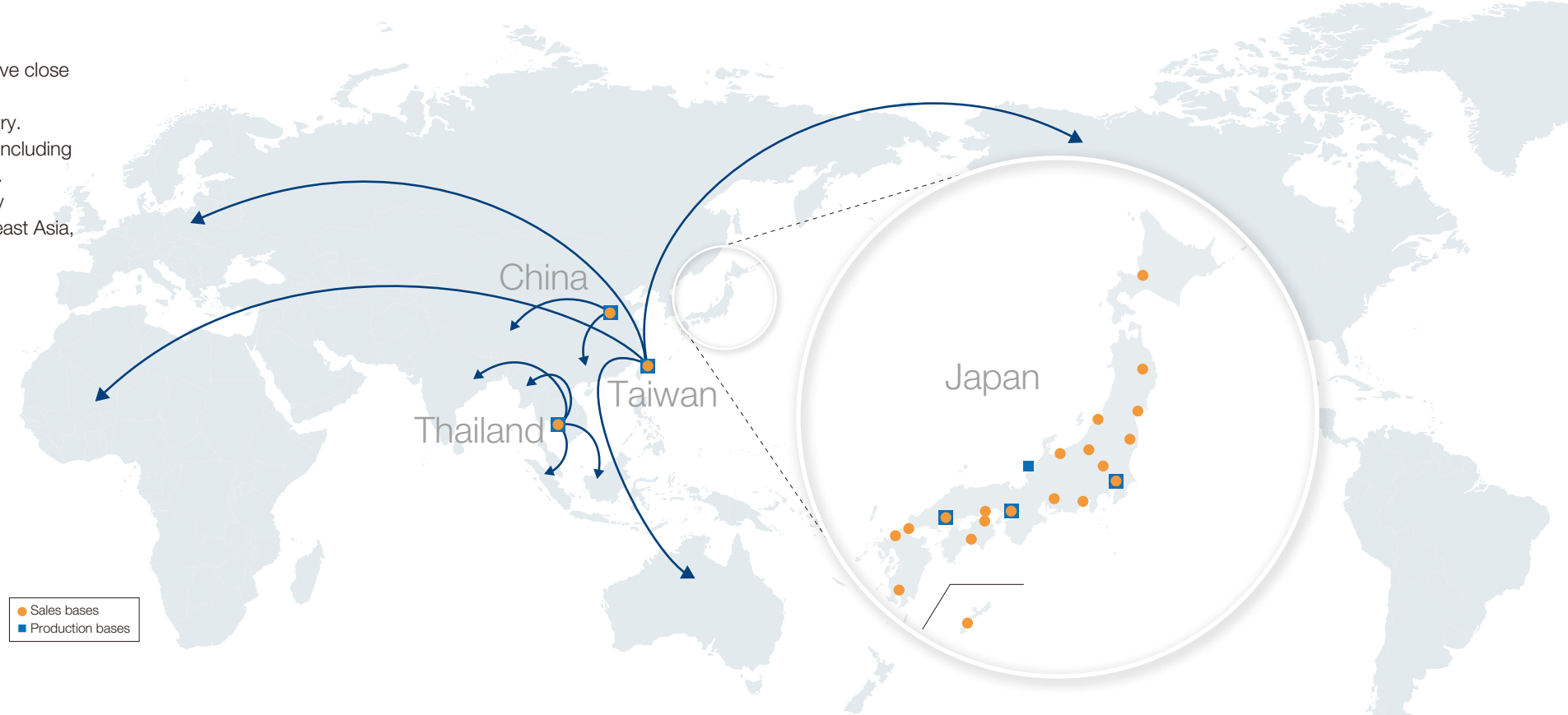


Real Estate & Other Businesses

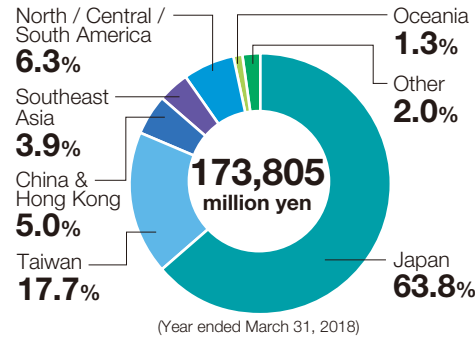
The Real Estate business operates buildings and parking lots for rent and also manages and skillfully utilizes the Company's real estate holdings.



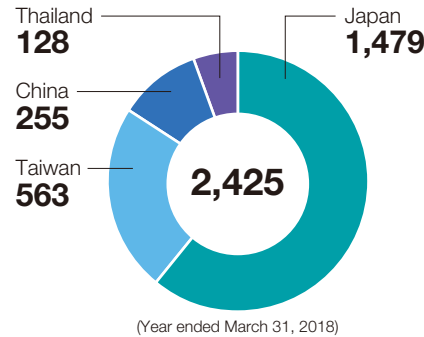
- Production bases located evenly throughout Japan and a network of 21 sales bases that achieve close regional ties with customers and communities.
- Overseas production and sales bases rolled out in Asia ahead of other companies in our industry.
- Sheng Yu Steel Co., Ltd. (SYSCO Taiwan) has successfully promoted locally rooted business, including being listed on the Taiwan Stock Exchange and having strong brand recognition within Taiwan.
- Working from a network of bases evenly balanced throughout Asia, we supply high-quality surface-treated steel sheets around the world, including North / Central / South America, Southeast Asia, Oceania, Africa, and elsewhere.



▼ Net sales by country and region



▼ No. of employees by region



● Sales bases
■ Production bases

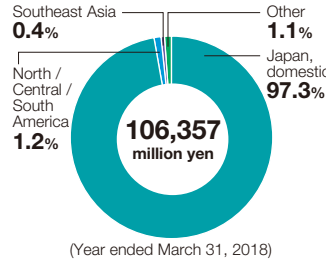
Japan

Yodogawa Steel Works, Ltd.



Head Office

▼ Net sales by country and region



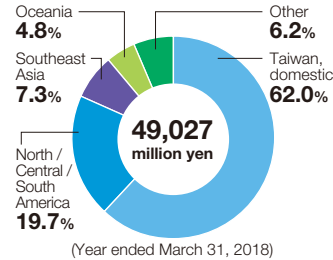
Taiwan

Sheng Yu Steel Co., Ltd.



SYSCO Taiwan

▼ Net sales by country and region



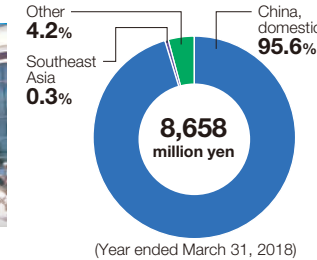
China

Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd.



YSS China

▼ Net sales by country and region



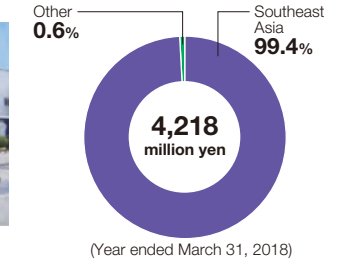
Thailand

PCM Processing (Thailand) Ltd.



PPT Thailand

▼ Net sales by country and region



We aim to contribute to the sustainable development of society and to grow as a corporation through value creation addressing safety, security, the environment, and esthetics.

Business Environment & Business Philosophy

Social challenges

- A declining and aging population with a low birth rate
- Depletion of natural resources
- Disaster mitigation and preparedness
- Achieving a sustainable society

Basic Philosophy

Create Value with New Originality

- More diverse and complex customer needs
- Corporate integration and restructuring (iron and steel industry)
- Emergence of protectionist tendencies
- Accelerated globalization and intensifying competition

Strengths of the Yodogawa Steel Group

- (1) Sales**
A domestic and international sales framework closely tied to regional customers
- (2) Technology**
Technical capabilities to precisely meet customers' needs
- (3) Procurement**
Flexible procurement due to our advantage of being independent
- (4) Production**
Well-balanced production bases deployed domestically and internationally

Dynamic Mobility

Business Activities → p.3-6

Steel Sheet-related Business

• Steel Sheet Segment



• Building Material & Exterior Products Segment



Roll Business

Grating Business

Real Estate & Other Businesses

Yodogawa Steel

Basic Policy

Maximally leverage the dynamic mobility and Group capabilities that are our strength

Focus on building a foundation for our Long-Term Vision

Group Business Activities Medium-Term Management Plan 2019 → p.17-18

Objective

Record stable consolidated ordinary income of 10 billion yen.

Basic Strategy

Establish a resilient profit structure
Increase the depth of our business model
Dedicate effort to niche markets, product differentiation, and development of product applications
Strengthen collaboration and ties within the Group

Basic Strategy

Challenge ourselves to enter new business areas
Stimulate new business stemming from existing business
Enter downstream business areas outside Japan

Basic Strategy

Build a robust business foundation
Simultaneously target a strong financial standing while proactively investing in growth
Foster human resources and improve organizational strength
Coexist with all of our stakeholders

Long-Term Vision

The SAKURA 100

Ideal Corporate Image

- A nimble company adaptable to many changing environments
- A prolific company that challenges itself in new business areas
- A lasting company that is admired globally

Creating Value through Business

The Group will continue to achieve sustainable growth by pursuing business that leverages our dynamic mobility supported by our Business Philosophy, while putting the comprehensive strengths of the Group into practice.



We engage in the various activities of product development, manufacturing, and sales while addressing safety, security, the environment, and esthetics, and delivering diverse value to all of our stakeholders.

Shareholders and investors



- Maximize corporate value by achieving sustainable growth
- Provide stable, continuous returns to shareholders

Customers and business partners



- Deliver safe and reliable products and services that address the needs of customers and society
- Use our more than 80 years of history to build trusting relationships with business partners

Employees



- Provide a safe and secure environment conducive to productive work
- Foster human resources eager to engage in innovation and develop personal character oriented toward growth

Society and nature



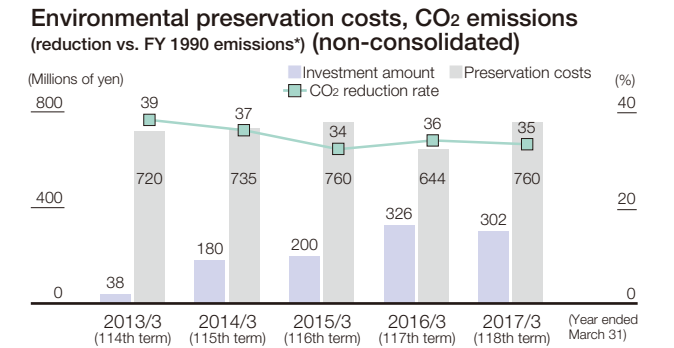
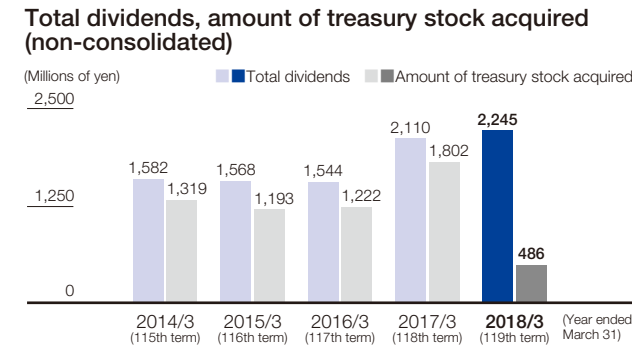
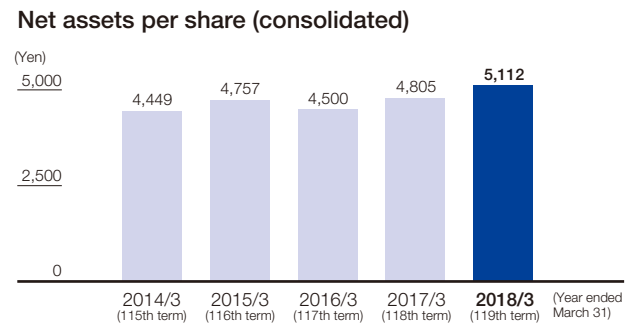
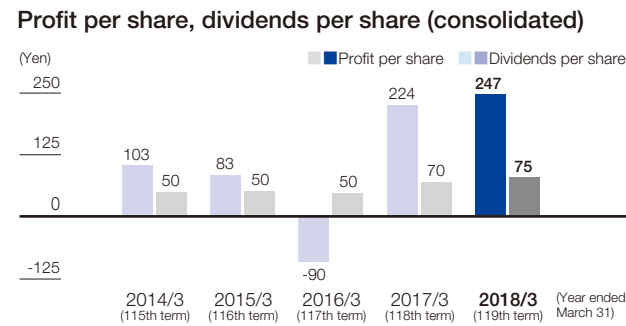
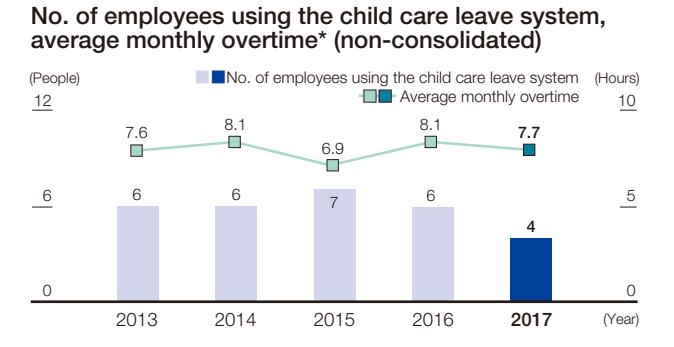
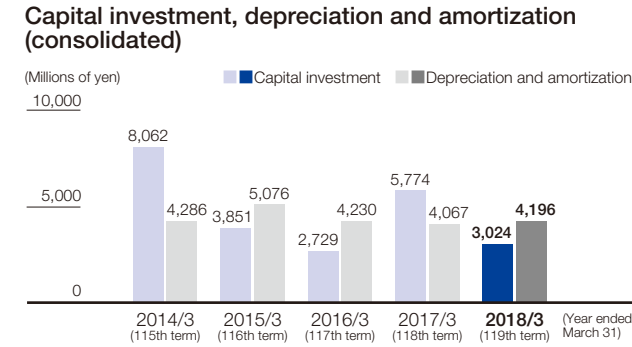
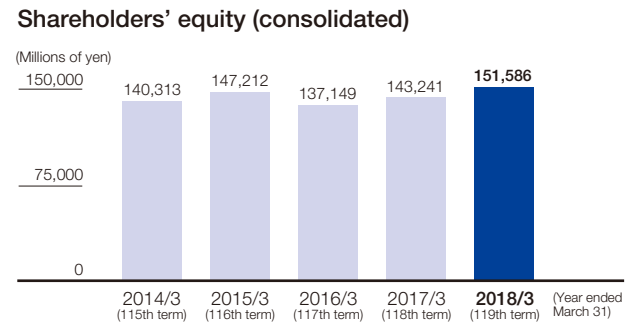
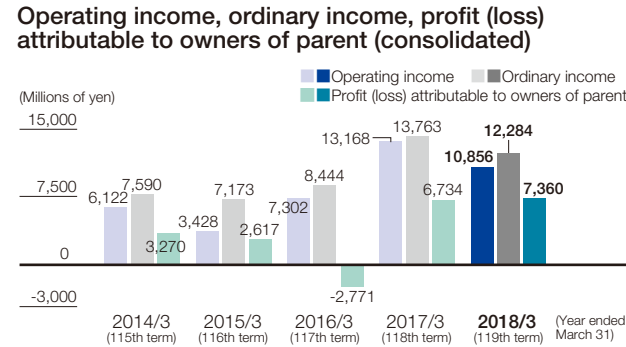
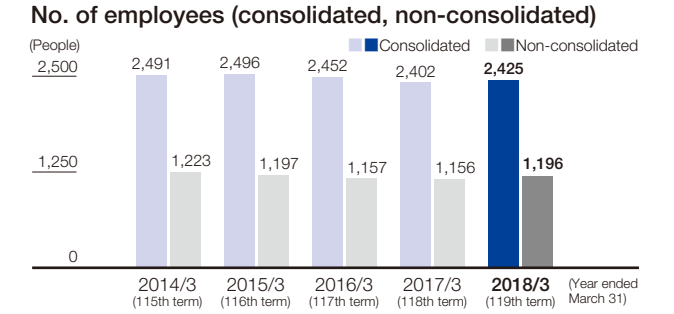
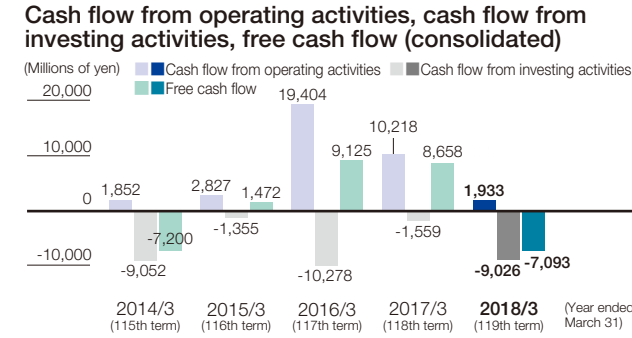
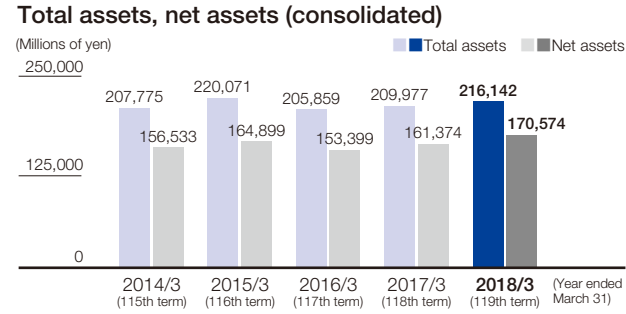
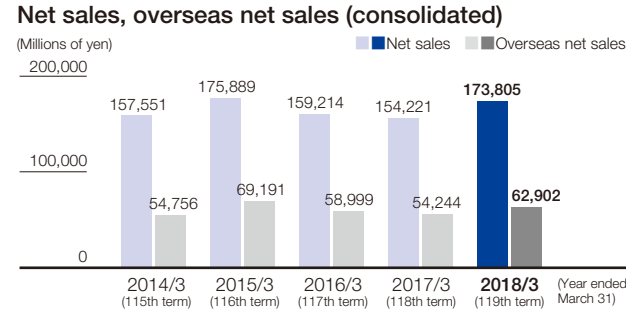
- Contribute to lower environmental burdens by supplying environmentally conscious products
- Contribute to social infrastructure by supplying aesthetically pleasing products

We created a logo for Sakura 100, the Group's long-term vision (formulated in March 2017), with the objective of increasing awareness of the vision in each Group company, while also deepening our stakeholders' understanding of the vision.

淀川製鋼グループ長期ビジョン



Yodogawa Steel Group Long-Term Vision
Sakura 100



Note: Data before the 117th Term have been adjusted to account for share consolidation.

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*Under the Japan Iron and Steel Federation's Voluntary Action Program (formulated in 1996), the commitment was made to save energy in iron- and steel-making processes, setting a 10% reduction in energy consumption as its goal for the fiscal year 2010 compared to fiscal 1990 levels.

Embarking on a New Start with Our Long-Term Vision and Medium-Term Management Plan



Q. Please let us know your aspiration as the new president.

Thank you. I am Satoshi Nitta, the new president and representative director. After I joined Yodogawa Steel Works, I spent many years in the area of manufacturing technology, including providing technical guidance at Sheng Yu Steel Co., Ltd. After that, I served as Senior General Manager of the Corporate Planning Division, then devoted effort to the Chinese business as the President of Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. Cultivating the Chinese market is one of the Yodogawa Steel Group's key management goals, and concerted effort has been dedicated to building that foundation. I feel that results leading us to growth have started to emerge. While YSS China has announced its mission of becoming "the company most trusted by customers," what I have personally emphasized as a craftsman is accumulating the trust of all of those with whom we work.

As I assume the position of president and representative director, I feel that I must brace myself to take on the task of managing the Group, and would like to proceed while honoring the trust of everyone supporting the Yodogawa Steel Group.

Satoshi Nitta President and Representative Director

Q. What is your assessment of operating results for the year ended March 31, 2018?
A. In a harsh business environment in which our profit fell, we were able to exceed the targets of the Medium-Term Management Plan.

Although raw materials prices and energy costs are rising in this business environment, we were able to exercise our dynamic mobility on many fronts, which is our strength as an independent company. We strove to make price adjustments, focusing on the steel sheet-related business, and grew revenue thanks to a measure of sales performance from YSS China. In terms of profit, the numbers were lower year on year; however, we endeavored to minimize the extent of the decline from rising costs.

A major factor in the decreased profit was the performance of Sheng Yu Steel Co., Ltd. in Taiwan, which has a high proportional influence on a consolidated basis. Stagnating domestic demand in Taiwan, and protectionist measures in the U.S., our primary export market, had an impact that broadly

lowered profit. Rising raw materials prices hit PCM Processing (Thailand) Ltd. and lowered its profit as well.

In the Group's Medium-Term Management Plan, we announced a goal of recording stable consolidated ordinary income of 10 billion yen. Considering the severe environment in terms of earnings, I think it was an achievement to be able to meet our profit target. At the same time, however, there are still many challenges to reaching a true level of strength, and we will proceed toward making a more resilient corporate structure with a strong emphasis on substance.

In working to strengthen our corporate structure, an example of real results in our core area of steel sheet-related business, is the YODO Hyper Panel Series, which came from collaboration between our steel sheet and building materials businesses. The panels launched in September of last year and use steel sheet specialized for exterior walls. In particular, the YODO fire-proof panel Grand Wall has had strong sales in the series as we started a new production line for the product at our Himeji Plant in the first half of the previous year, as part of our system of two production bases, one in the east and one in the west of the country.



YODO Hyper Panel Series advertisement



YODO fire-proof panel Grand Wall installation example

Q. If there are any particular points to highlight for each business segment, please share those with us.

A. Results leading us to growth in our Chinese business, which has been one of the Group's key goals, have started to emerge.

With the Chinese business being a priority for the Group and an area that I personally have worked on cultivating, we dedicated effort during this fiscal year to getting the two pillars of the building materials and home appliance domains on track. With regard to home appliances, this fiscal year, we established the joint venture Shanghai Yodoko Trading Co., Ltd. (SYT China), a sales and marketing company in China, and we are proceeding to open sales channels to appliance manufacturers other than Japanese makers. Also, with regard to building materials, our sales activities (including technical proposals) have begun to show results; for example, collaborative efforts between YSS China and Yodoko Building Material (Hangzhou) Co., Ltd. (YBMH China) led to receiving orders for pre-painted steel sheets for the roofing of the terminal of the New Beijing International Airport (tentative name). The scale of the Chinese construction market is orders of



magnitude larger than Japan's and highly durable pre-painted steel sheets are garnering attention as a replacement for the stainless-steel products that have conventionally seen much use in public construction projects. A management approach with quick decisions and quick actions is required in the Chinese market. While ensuring quality and performance, we have high expectations for growing future sales by advancing in a speedy fashion.

In the steel sheet domain, we launched the previously mentioned YODO Hyper Panel Series, which uses specific steel sheets for three kinds of exterior wall panels. In the construction industry, ALC (autoclaved lightweight aerated concrete) panels have been widely used as siding on mid- and low-rise buildings. The shift from this material to metal panels, which are easier to install and do not need to be painted on site, has been accelerating. Going forward, we will augment and strengthen our production structure to prepare for greater demand in this area.

In the exterior products domain, we have seen strong results for large warehouses and garages, with Dust Pit for garbage collection sheds doing extremely well. In the construction domain, orders for large, non-residential projects, such as distribution warehouses and factory buildings, helped results.

Meanwhile, in the roll business, we shipped orders for films as a new business field applying roll technology for papermaking.



YODO SOUKO warehouse storage in use

Q. What are the first-year results and challenges of the Medium-Term Management Plan 2019?

A. We were able to make a certain degree of progress in strengthening our profit structure.

In our Medium-Term Management Plan 2019, we announced two basic strategies related to our business: establish a resilient profit structure and challenge ourselves to enter new business areas. The first strategy is for boosting the earnings of our existing business. We are striving to further increase our high value-added products, while also maneuvering quickly to unlock niche fields.

Our strategic efforts in the sale and marketing of high value-added products led, as mentioned, to steady results for the YODO Hyper Panel Series, which is an example of successful collaboration between our steel sheet and building materials businesses. Our steel sheet and building materials collaboration has also made progress overseas. As in the example of the New Beijing International Airport (tentative name) highlighted above, results have started to emerge for our aggressive sales proposals, which include superior technology such as



Illustration of the expected appearance of the New Beijing International Airport (tentative name)

folded-plate roofs*, which were developed exclusively in Japan to weather the country's typhoons, heavy rain, and other harsh weather conditions.

In terms of unlocking new niche business areas, one example is the use of pre-painted steel sheets for train station platform doors. While it is not a large market, it is significant to have pre-painted steel sheets used in a field that has used post-painted sheets to date. We will continue to highlight their durability and other merits as we pursue proposals that will increase the use of pre-painted steel sheets in markets that other companies have not yet tapped.

In the exterior products domain, we are working to leverage our strength as an integrated manufacturer developing products from raw materials. We will continue to design distinctive products, such as those with disaster prevention-related features, and drive forward initiatives aiming to make our products the top brand in sheds.

Regarding the second strategy to challenge ourselves to enter new business areas, at present, we are still gathering information,

*Folded-plate roofs: a characteristic style of constructing metal roofs with design, strength, water-resistance, and economical features well suited to large, long-dimension roofs. Yodogawa's folded-plate roofs use a unique innovation (called *haze*) for the shape of the connection seams.



New commercial for Yodo-Monooki storage sheds

but we recognize this as a long-term priority issue and I feel that aggressive investment of management resources is required going forward.

The third basic strategy highlighted in our Medium-Term Management Plan is to build a robust business foundation. As one element towards doing so, we decided to add one additional Outside Director, making three in total, to the Board of Directors in June 2018, as a way of further strengthening the Company's governance.

Issues of impropriety with regard to quality in Japan's manufacturing industry have received attention this year. Having many years of experience in technical departments, I feel that neglecting sound product quality and only pursuing efficiency does not constitute true technical expertise.

Yodogawa Steel Works has instilled a deep culture of diligently pursuing work while growing business emphasizing safety, security, the environment, and aesthetics. Going forward, we will devote ourselves to fostering a corporate culture that carries this forward.



Logo for the Long-Term Vision



Installation example of YODO shed Erumo (with earthquake auto-lock release)



Mechanical earthquake sensor

Q. Please tell us about initiatives dedicated to ESG.

A. We are steadfastly striving to coexist with all of our stakeholders.

In our Long-Term Vision, we have announced the goal to coexist with all of our stakeholders. With regard to ESG (environment, social, and governance), on the environmental front, we have dedicated effort toward leading our industry in developing chromate-free plates that do not contain hexavalent chromium and offer superior corrosion and weather resistance. On the governance front, we are striving to quickly expand and enhance our governance structure.

Also, with regard to social contributions, we have long been involved in preserving the Yodoko Guest House, an important cultural asset, while also participating in the SAKURA+ PROJECT for supporting recovery after the Tohoku Earthquake.

Going forward, we intend to continue enhancing ESG activities connected with diverse value creation related to safety, security, the environment, and aesthetics.



Yodoko Guest House

Q. What is the policy for returns to shareholders?

A. Based on our dividend indicators, we boosted the dividend to 75 yen for the fiscal year.

We recognize stable, continuous returns to shareholders as one of our highest business priorities. This requires sustainable growth, which is why maintaining a robust financial position is a pillar of our basic policy for making both aggressive investments and maximizing returns to shareholders.

As an indicator for dividend payments, our goal for the duration of the current Medium-Term Management Plan is to maintain annual dividends per share of 50 yen or more, while aiming for a consolidated annual payout ratio of approximately 30-50%. Following this policy, we paid a 75-yen dividend (a 35-yen interim dividend and a 40-yen year-end dividend), with a consolidated annual payout ratio of 30.2%.



Q. Last, what is your message to stakeholders?

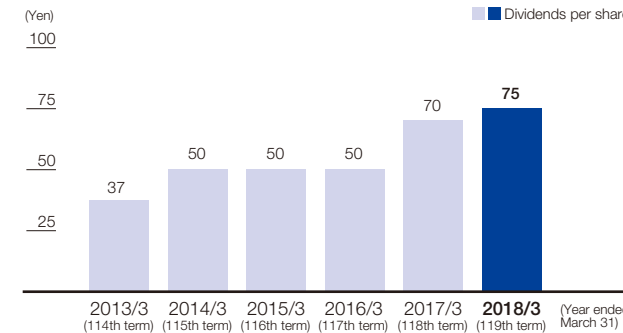
A. We will dedicate ourselves to straight-forward and direct management.

In the next fiscal year (ending March 31, 2019), the global economy is expected to be firm overall, with a gradual recovery in Japanese markets. In the iron and steel market, however, the outlook is predicted to be increasingly opaque under the effects of U.S. protectionist trade measures to raise steel import tariffs, and from an expected rise in raw materials prices.

As a business person, and as a person in general, I have always valued the word "trust." In order to earn trust from stakeholders, I intend to be open with information and approach business in a straight-forward and direct manner. At the same time, in order to remain in business for 100 or even 200 more years, I believe that it is important to take an approach that challenges us both inside and outside Japan.

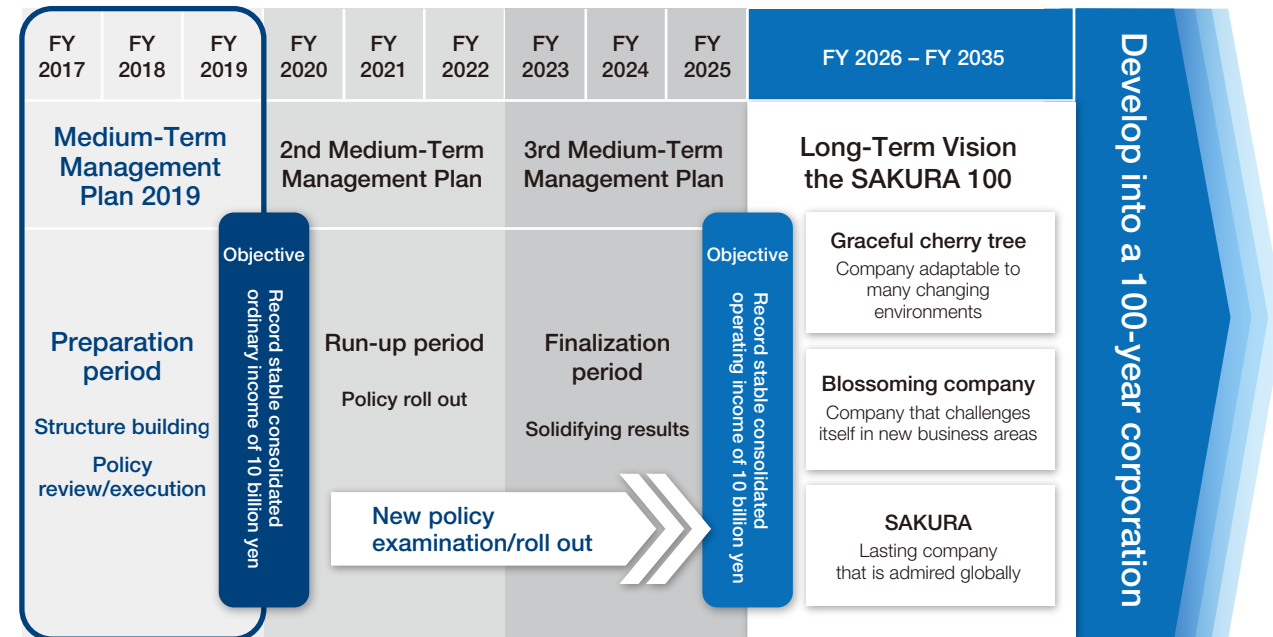
As we rally under our SAKURA 100 Long-Term Vision, we ask that you continue to expect great things from the Yodogawa Steel Works Group and bestow your on-going understanding and support.

Dividends per share



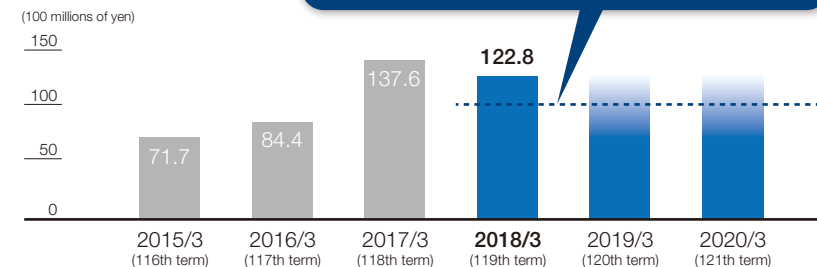
Note: Data before the end of September 2015 have been adjusted to account for share consolidation.

Positioning of the Current Medium-Term Management Plan



Medium-Term Operating Objectives

Ordinary income (consolidated)



- In the first year of the plan (the year ended March 31, 2018), a harsh economic climate has prevailed, with rising energy prices and emerging protectionist measures in the overseas iron and steel market. Nevertheless, we were able to leverage our key strength of dynamic mobility and achieve ¥12.2 billion in consolidated ordinary income.
- In the year ending March 31, 2019 and beyond, we will strive to move initiatives forward and achieve our targets in an increasingly harsh business environment.

Main Initiatives by Business Segment in the Year Ended March 31, 2018

Basic strategies	Status of major initiatives								
Establish a resilient profit structure	<ul style="list-style-type: none"> • Achieved a solid measure of results from entering new fields and unlocking new sales channels. <table border="1"> <tr> <td>Steel Sheet Business Unlocked new applications and entered niche markets, such as train station platform doors and EV chargers.</td> <td>Building Material Business Started receiving orders for the Hyper Panel Series that uses YODO Hyper GL Color sheets.</td> <td>Exterior Products Business Prepared for changes to our garage models (for launch in the fall of 2018) with the objective of meeting diverse customer needs.</td> </tr> <tr> <td>Roll Business Applied technology for papermaking rolls and newly entered the films domain.</td> <td>Grating Business Entered new fields, for example targeting the railroad business and energy-related products.</td> <td></td> </tr> </table> • Promoted sales expansion for highly functional building exterior products that are a strategic collaboration between the steel sheet and building materials businesses. • Overseas, Chinese subsidiaries received orders for steel sheets for roofing on large-scale projects as a result of collaboration between the steel sheet and building materials businesses, which will be deepened going forward. <table border="1"> <tr> <td>Steel Sheet Business (overseas) Established Shanghai Yodoko Trading Co., Ltd. (SYT) with the objective of selling steel sheets for home appliances to YSS China. We will strive to increase customer numbers and expand sales volume.</td> <td>Building Material Business (overseas) Collaborative efforts between YSS China and YBMH China led to receiving orders for public projects such as the New Beijing International Airport (tentative name), which contributed to results such as increased recognition of our business.</td> </tr> </table> 	Steel Sheet Business Unlocked new applications and entered niche markets, such as train station platform doors and EV chargers.	Building Material Business Started receiving orders for the Hyper Panel Series that uses YODO Hyper GL Color sheets.	Exterior Products Business Prepared for changes to our garage models (for launch in the fall of 2018) with the objective of meeting diverse customer needs.	Roll Business Applied technology for papermaking rolls and newly entered the films domain.	Grating Business Entered new fields, for example targeting the railroad business and energy-related products.		Steel Sheet Business (overseas) Established Shanghai Yodoko Trading Co., Ltd. (SYT) with the objective of selling steel sheets for home appliances to YSS China. We will strive to increase customer numbers and expand sales volume.	Building Material Business (overseas) Collaborative efforts between YSS China and YBMH China led to receiving orders for public projects such as the New Beijing International Airport (tentative name), which contributed to results such as increased recognition of our business.
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Challenge ourselves to enter new business areas	<ul style="list-style-type: none"> • Gathered information for planning new business that will use existing exterior and building material product technologies to gain a foothold in new ventures. 								
Build a robust business foundation	<ul style="list-style-type: none"> • Proceeded to strengthen IR activities, including issuing the YODOKO REPORT (integrated report). • Increased the number of Outside Directors as part of further strengthening governance. 								



YODO Hyper GL Color installation example

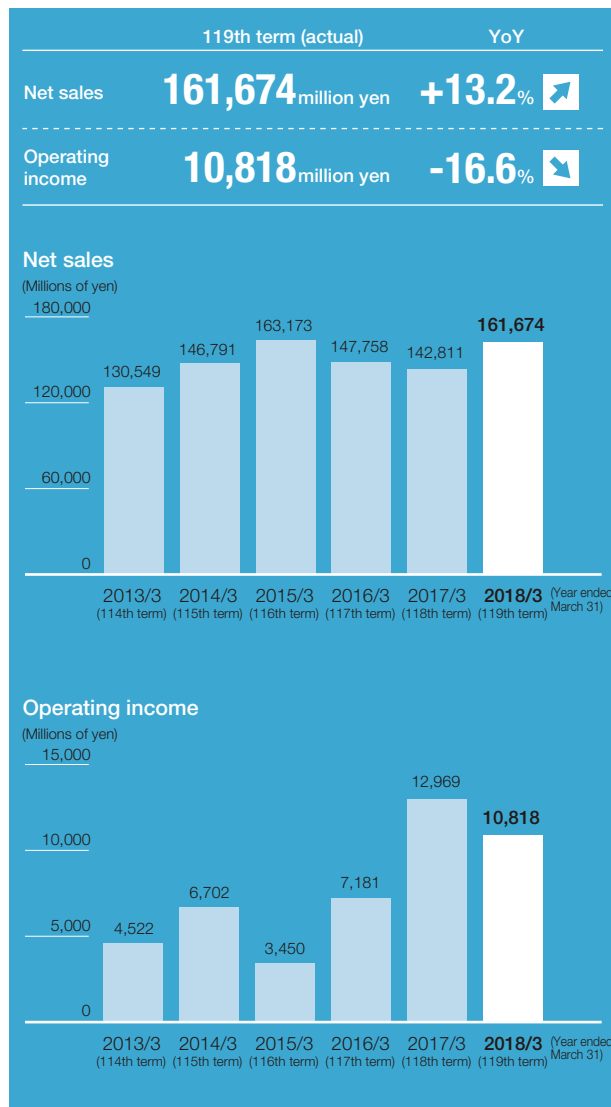


YODO fire-proof panel Grand Wall installation example



Illustration of the expected appearance of the New Beijing International Airport (tentative name)

Steel Sheet-Related Business



Steel Sheet Segment

Looking back on the year ended March 31, 2018

- The volume of tied sales in the Japan market (sales to specific high-demand customers) dipped slightly from the previous fiscal year, though profit increased with aggressive price adjustments.
- With regard to retail sales in Japan (for general distribution), there was a decrease in housing demand. At the same time, in the non-housing area, companies' capital expenditures were strong and, although sales volume decreased, profit increased as a result of adjusting prices.
- Overseas, Sheng Yu Steel Co., Ltd. faced tough competition inside and outside Taiwan, with profit falling compared to the previous fiscal year's strong numbers. At Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. in China, sales volume grew due to successful efforts to strengthen new order acquisition and a measure of progress was made in improving profit. PCM Processing (Thailand) Ltd. required time to adjust prices, which hurt their performance.

Outlook for the year ending March 31, 2019

- As we predict raw material prices to linger within their high range, we will continue to aggressively adjust sales prices.
- We will dedicate the collective strength of the Group to bring Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (China) on track.

Initiatives for achieving the Medium-Term Management Plan

- As we move toward expanding sales of high value-added pre-painted steel sheets, we will work to develop pre-painted steel sheet applications, enter niche markets, and strengthen our ability to handle small lot production.
- We will further boost internal Group collaboration and competitiveness by having procurement and steel sheet/building material divisions work together.



YODO Hyper GL Color is promoted for use on the exterior of detached homes



Production facilities for pre-painted steel sheets

Building Material & Exterior Products Segment

Looking back on the year ended March 31, 2018

- For building materials, while sales volume declined due to focusing on profitability in accepting orders amid stiff pricing competition for roofing products, our mainstay building material, net sales remained on par with the previous fiscal year due to price adjustments.
- Exterior products in the second half of the year faced difficult headwinds, especially for large products, due to inclement weather; however, sales for the full year increased slightly on favorable performance for large warehouses and other products.
- For construction, profit grew considerably due to completing large-scale buildings and increasing adoption of high value-added insulating and fire-proof panels.

Outlook for the year ending March 31, 2019

- For building materials, inquiries are increasing for YODO fire-proof panel Grand Wall on distribution warehouses and factories, and also on building exteriors. Inquiries are also increasing for our mainstay roofing products.
- With regard to exterior products, we will create separate sales strategies for each region and dedicate effort to aggressively expanding sales in order to seize more market share.
- For construction, we will strive to keep attracting orders for high value-added insulating and fire-proof panels.

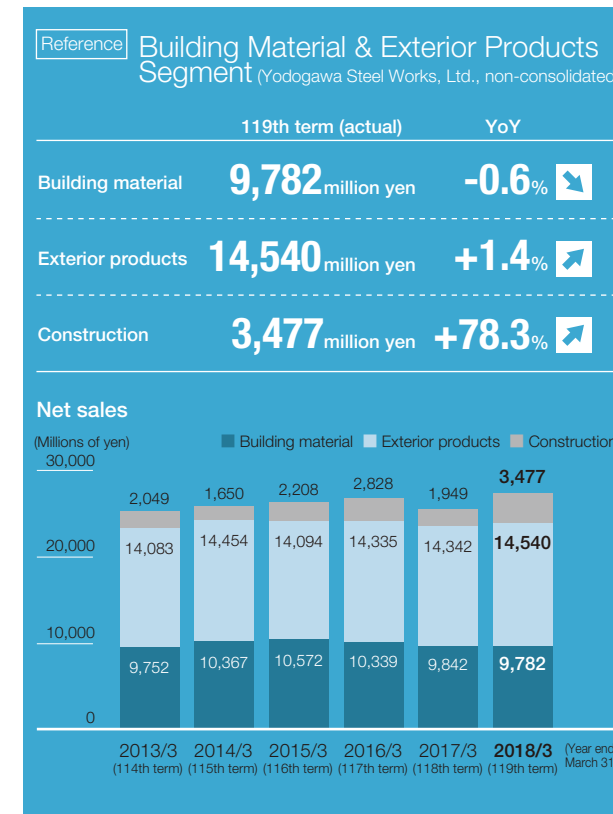
Initiatives for achieving the Medium-Term Management Plan

- In terms of building materials, we will dedicate effort to expanding sales of highly functional products (insulated siding).
- For exterior products, we will strengthen sales activities closely tied to customers, while fortifying earnings capacity by utilizing our integrated expertise in steel sheet and building materials.
- For construction, we will strive to attract more orders through proposals for new construction methods conducive to streamlined construction.
- In terms of development, we will strive to meet customer needs related to our objectives of merging steel sheet and building material technology, as well as further expanding streamlined construction products.

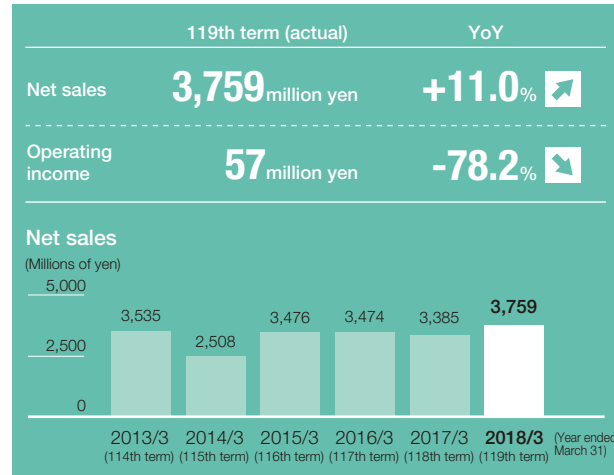


YODO fire-proof panel Grand Wall installation example

YODO SOUKO warehouse storage in use



Roll Business



Looking back on the year ended March 31, 2018

- For products in the iron and steel industry, rolls for thin plates showed solid results with sales achieving a level on par with the previous fiscal year. For products in the non-ferrous industry, sales to the papermaking industry and sales in new business fields contributed to higher net sales.

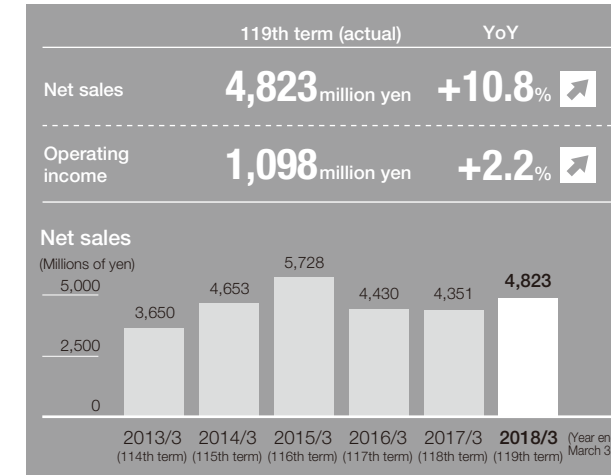
Outlook for the year ending March 31, 2019

- We forecast steady progress in products for the iron and steel industry.
- For products in the non-ferrous industry, we will strive to secure orders from the papermaking industry, while continuing to expand sales in new business fields.

Initiatives for achieving the Medium-Term Management Plan

- We will strengthen our corporate structure by unifying production and sales; we will develop new domains; and we will strengthen earnings capacity through product differentiation and cost reductions.

Real Estate & Other Businesses



Looking back on the year ended March 31, 2018

- In the real estate business, we improved our occupancy rate in rental buildings and grew revenue. Additionally, we renovated former sites for employee housing, striving to repurpose them as daycare centers, thereby effectively leveraging assets and contributing to local communities.

Outlook for the year ending March 31, 2019

- We will continue to effectively leverage assets in the real estate business.
- In our engineering business, we will dedicate effort to selling steel sheet processing equipment overseas.

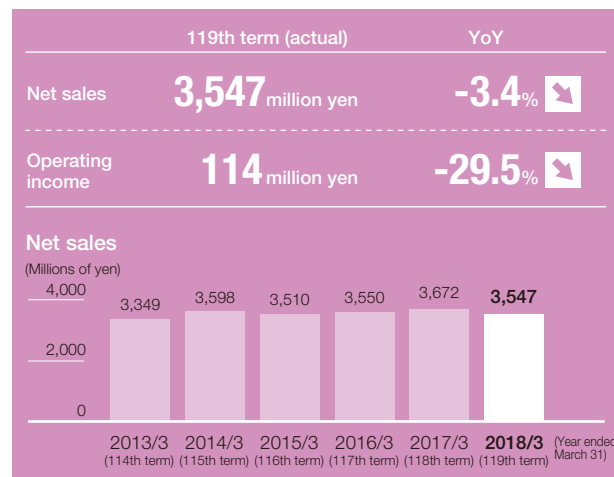
Initiatives for achieving the Medium-Term Management Plan

- We will effectively leverage assets in the real estate business in order to contribute to improving the Group's earnings capacity.
- We will leverage the engineering business to capture demand primarily with steel sheet processing equipment.



Renovating former sites for employee housing and repurposing them as daycare centers

Grating Business



Looking back on the year ended March 31, 2018

- Roadway-related business faced a severe environment, with the main driver being budgets for disaster recovery projects, maintenance, and inspections; however, we were able to sell products on par with the previous fiscal year on the back of strong demand for private building projects, such as distribution warehouses and plants.

Outlook for the year ending March 31, 2019

- In a challenging environment due to surging raw material prices, we will strive to strengthen sales proposals to customers, make progress in sales price adjustments, and grow sales for value-added products.



YODO karugaru grating

Initiatives for achieving the Medium-Term Management Plan

- We will expand our share of the roadway sector through careful community-based sales, development of highly functional products, and through strengthening our corporate structure by unifying production.
- We will strive to develop new product applications and strengthen earnings capacity.

Topics Disaster Prevention Initiatives through Exterior Products

In recent years, there have been frequent natural disasters, such as earthquakes and typhoons, prompting greater awareness of disaster prevention nationwide.

YODO Monooki storage sheds have excellent outdoor durability, including the insulated YODO Kura MD, which is ideal for long-term storage of emergency water and rations. We also offer sheds with auto-lock release mechanisms that function during earthquakes around the lower 6 range (on the Japanese magnitude scale). Furthermore, sheds also have optional floor-space partitions, which are useful for converting the interior to emergency toilets or changing rooms after emergency supplies are removed.

Leveraging these product features, the disaster preparedness sheds we provide have been installed by many municipalities, schools, and condominiums around Japan, which allows us to lend support to regional disaster mitigation efforts.

Going forward, we will strive to make social contributions connected to safety, security, environment, and aesthetics by continuing to develop diverse products and offering recommendations for their use.



YODO Monooki storage shed Erumo (with earthquake auto-lock release)



Mechanical earthquake sensor

 **SYSCO Taiwan**

Trade name: Sheng Yu Steel Co., Ltd.
 Established: May 19, 1973
 Paid-in capital: NT\$ 3.2118 billion

Location: Kaohsiung, Taiwan R.O.C
 Chairman of the board: Soichi Kitamura
 President: T.Y. Cheng
 No. of employees: 563



Business activities: Steel sheet manufacturing and sales
 Main facilities: 1 pickling line 2 cold rolling lines 2 galvanizing lines 2 color coating lines

Looking back on the year ended March 31, 2018

- In FY2017, the Taiwanese economy was supported by recovery in the global economy and its growth was led by strong exports in semiconductor-related products and machinery.
- In the first six months, raw material prices remained high and made for a challenging environment, though favorable market tailwinds led to profit on par with last fiscal year.
- For the full year, protectionist measures in the U.S., our primary export market, had a harsh impact on orders, lowering profit compared to the strong numbers of last year.

Outlook for the year ending March 31, 2019

- Due to the effects of protectionist measures in various countries, and lagging domestic demand in Taiwan, we predict the challenging circumstances to continue.
- As a response to protectionist measures, we will devote effort to unlocking new export markets, boosting our domestic market share in Taiwan, and expanding sales of high value-added products.
- Even amid the difficult business environment, we will strive to strengthen our management structure so that we can secure stable profits.

 **YSS China**

Trade name: Yodogawa-Shengyu (Hefei)
 High-Tech Steel Co., Ltd.

Established: October 28, 2011
 Paid-in capital: USD 220 million

Location: Anhui, China
 Chairman of the Board: Satoshi Nitta
 President: Noboru Hochi
 No. of employees: 255



Business activities: Steel sheet manufacturing and sales
 Main facilities: 1 galvanizing line 2 color coating lines

Looking back on the year ended March 31, 2018

- Efforts to increase customers in the building materials and home appliance fields led to new orders that delivered a measure of progress in higher sales and profit year on year.
- In collaboration with Yodoko Building Materials (Hangzhou) Co., Ltd., we made aggressive sales approaches to clients and general contractors, leading to steel sheet orders for the roofing of the terminal at the New Beijing International Airport (tentative name).
- We hosted the annual meeting of the China National Building Waterproof Association and made efforts to raise our brand awareness by introducing installation examples of steel sheet roofing.

Outlook for the year ending March 31, 2019

- We will strive to boost our brand image by promoting the use of our building materials in the New Beijing International Airport (tentative name), while also uncovering new customers.
- For home appliances, we will cooperate with Shanghai Yodoko Trading Co., Ltd. to expand sales of pre-painted steel sheets for use in home appliances.
- While working to strengthen cost competitiveness and further boost quality, we will try to increase the sales ratio of high value-added colored products and improve profits.

 **PCM Thailand**

Trade name: PCM Processing (Thailand) Ltd.
 Established: April 1999
 Paid-in capital: THB 1,377,259,000

Location: Amatanakorn Industrial Estate
 Representative: Shohei Kozaki
 No. of employees: 128



Business activities: Pre-painted steel manufacturing, processing and sales
 Main facilities: 1 continuous color coating line 2 large leveler lines 1 sheet slitter

Looking back on the year ended March 31, 2018

- Amidst globally surging raw materials prices and intensifying competition for products used in our mainstay large household electrical appliances, we strove to revise sales prices and reduce costs. However, it took time to adequately reflect higher materials costs in sales prices (including the effect from exchange rates), which pulled down performance.
- Assuming use in products such as air-conditioning units installed outdoors, which requires strong weather resistance, we strove to strengthen sales of high value-added products, such as pre-painted steel sheets with excellent processability.

Outlook for the year ending March 31, 2019

- Forecasting the possibility of rapidly increasing imports of iron and steel products into Thailand due to U.S. protectionist measures, we will keep a close eye on price fluctuations.
- Aiming to move into the black for the full year, we will launch high valued-added products, such as pre-painted stainless steel sheets, while also directing effort to uncovering new customers.

Topics

**New Beijing International Airport (tentative name)
 —A Collaborative Project between YSS China and
 Yodoko Building Materials (Hangzhou) Co., Ltd.**

The New Beijing International Airport (tentative name), currently under construction and opening in 2019, will be the world's largest, at 1.03 million-m² of total building space, 1.60 million-m³ of concrete, and 52,000 tons of steel. Of the approximately 300,000 m² of steel roofing, about 200,000 m² will be YSS China's fluororesin pre-painted hot-dip 55% Al-Zn alloy-coated steel sheets. With technical support from Yodogawa Steel Works and Yodoko Building Materials (Hangzhou) Co., Ltd., the local construction company completed molding and installation of the sheets.

Among Chinese state projects, the New Beijing International Airport (tentative name) is positioned as an important undertaking. Going forward, we will promote the use of the Group's products

on this project to raise brand awareness in China of YSS China and Yodoko Building Materials (Hangzhou) Co., Ltd., and proceed toward leveraging these companies as a major base for the Group.



Illustration of the expected appearance of the New Beijing International Airport (tentative name)

Working to co-exist with all of our stakeholders, we continually strive to enhance ESG activities.



By creating value through the Yodogawa Steel Group's core goals of safety, security, environment, and aesthetics, we strive toward our Long-Term Vision to coexist with all of our stakeholders and contribute to achieving a sustainable society.

Environment

Basic Environmental Principles

Contribute to the preservation of the Earth's environment.
Conduct business with respect for the natural environment.

Basic Environmental Guidelines

1. Instill awareness of environmental preservation

Provide our employees and partner company employees with environmental education to promote awareness of environmental preservation and instill an action-oriented mindset.

2. Ensure consideration for the environment in our business activities

- 1) In all of our business activities, strive to minimize environmental burdens while preventing harmful pollution, conserving resources, reducing energy usage, rationalizing logistics, and reducing and recycling waste. (Preventing harmful pollution: adhering to environmental laws and standards)
- 2) Strive to minimize environmental burdens from waste when developing products by improving durability, reusing materials, and utilizing materials that are easy to recycle.

3. Establish internal organizations

In order to pursue the objectives above, strengthen environmental management organizations at the head office and each business site, while also implementing environmental preservation activities.

Environmental Management System

Under our Basic Environmental Principles, we are responding to global environmental problems and advancing initiatives to lessen environmental burdens. We created the Yodoko Environmental Management System in order to address regulations and requirements related to environmental preservation, while also making our initiatives more proactive. We established an Environment Committee with the Company President as chairperson and with members comprising a Director in charge of environmental issues and Environmental Officers from each division. This committee handles overall decisions on fundamental matters concerning the environment. Additionally, the committee regularly holds contact meetings with each business site and is working to ensure widespread awareness.

ISO 14001 Certified Business Sites

Our three steel sheet plants inside Japan and the plants of our three consolidated subsidiaries overseas carry out on-going environmental preservation activities in order to minimize environmental burdens. The same plants have received ISO 14001 certification as part of efforts to manage and improve these activities.

Business site	Date certified	Date renewed	Examining/certifying agency
Ichikawa Plant	June 2000	June 2018	
Osaka Plant	December 2000	December 2015	JICQA
Kure Plant	December 2000	October 2017	
Sheng Yu Steel Co., Ltd. (Taiwan)	December 1997	December 2015	DNV+GL
Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (China)	December 2015	2018 (projected)	SGS
PCM Processing (Thailand) Ltd.	November 2013	November 2016	UKAS

▼ Purpose and objectives of environmental activities

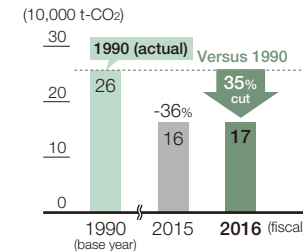
Prevent global warming	Reduce CO ₂ from production divisions
	Reduce CO ₂ from transport
	Reduce CO ₂ from business offices
Create a recycling-oriented society	Promote reduction of resource usage
Reduce environmentally harmful substances	Reduce VOC emissions
	Reduce usage of toxic chemical substances
Consideration for the environment	Contribute to local societies
	Environmentally conscious products and technology development
	Ensure risk management

Prevent Global Warming

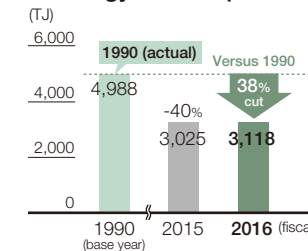
As countermeasures to global warming and electricity supply issues, we are making efforts to increase efficiency by upgrading equipment in production divisions, while also improving operations and using LEDs for equipment lighting. In terms of logistics, our efforts include shifting to rail and marine transport, in addition to improving our loading efficiency ratio on trucks, etc. We are also encouraging all offices to moderate room temperatures (to 28°C in summer and 20°C in winter) and to follow activities such as "Cool Biz" (avoiding suits in summer).

In FY2016, we cut CO₂ emissions by 35% and energy consumption by 38% (both over FY1990).

▼ CO₂ emissions



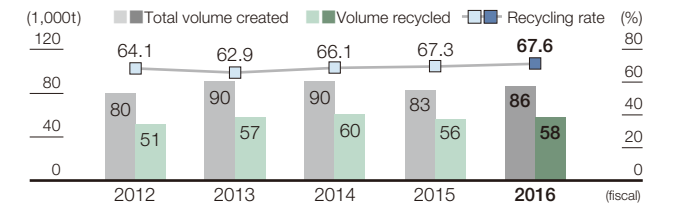
▼ Energy consumption



Create an Environmentally Recycling-oriented Society

We are striving to take waste products created during production activities and reuse them as resources. Sludge is recycled as raw material for cement or utilized for its metal content, while used oil is recycled or used for supplemental fuel. Slag, meanwhile, is used for roadbed base layers. In FY2016, our total volume of waste created was 86,000 t (an approximate 4% increase year on year). As for reused resources, we boosted our recycling rate 0.3% year on year.

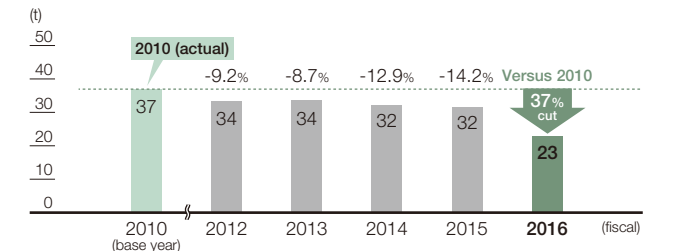
▼ Waste products, valuable waste volume, and recycling rate (non-consolidated)



Reduce Environmentally Harmful Substances

Yodogawa Steel Works participates in the Voluntary Action Program of the Japan Iron and Steel Federation. We have adopted the program's goal "not to let emissions exceed FY 2010 levels" and we strive to lower our VOC emissions. To date, we have taken steps including upgrading the deodorizing apparatus on our pre-painted steel sheet lines, while lowering FY 2016 VOC emissions 37.0% versus FY 2010.

▼ VOC emissions and reduction rate



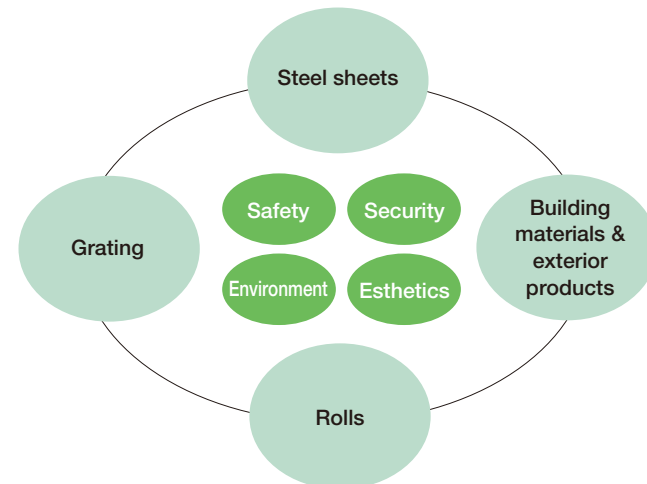
Social

Product Development Initiatives

R&D Philosophy

Following our basic philosophy of “Create value with new originality,” we engage in research and development while constantly considering whether projects do in fact have originality and generate new value. In the process, we ensure a company-wide vigilance toward safety, security, the environment, and esthetics.

▼ Creating value through business



Steel Sheet, Building Material & Exterior Product Segments

We pursue a basic policy of emphasizing the customer’s ideas, developing differentiated products, ensuring safety and security, making products environmentally friendly and durable, and trying to streamline construction.

Our steel sheet products can be separated into two broad categories. The first category is steel sheets we provide as material with specifications that meet manufacturers’ performance needs for electrical appliances and building materials. The second category is steel sheets that we sell through intermediaries as material for general purpose building. Sheets in the former category are made to fit each customer’s exact needs and are produced by our technology development divisions at the Kure, Ichikawa, and Osaka Plants. Sheets in the latter category are made in collaboration with each plant’s technology development division after the Head Office development division researches market needs.

Our Head Office development division also handles the development of processed products that include exterior products, building materials, and the like. By merging our steel sheet, exterior, and building material development divisions, we have been able to organically interconnect each group’s technology and expertise from the product planning stage. This has allowed us to develop steel sheets optimal for processed products, while engaging in development that makes the most of the properties of steel sheets.

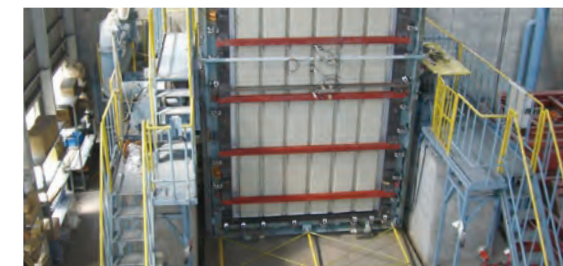
This type of development framework has become the source of Yodoko’s primary advantage of integrated production from steel sheet to final product, in a process that creates safe and secure products for users.



Technical Research Center (Ichikawa Plant)



Fire-proof and Fire-resistance Test Equipment (Osaka Plant)



Water Spray and Air Blast Test Equipment (Osaka Plant)

Roll and Grating Businesses

Roll Business

With the development division located in the Osaka Plant, we carry out development of rolls for section steel by having engineers and sales staff work together to meet customer demands and provide follow up support. We are developing systems for paper manufacturing rolls customized for Japanese clients through our business alliance with the German company ANDRITZ Küsters GmbH, a global manufacturer.



Test Calendar machine for Paper Making (gloss finish)

Grating Business

At the development division located in the Izumiotsu Plant, we have created a database from diverse information on customer needs and many types of information from sales staff, while carrying out development of innovative new products that are safe, durable, and aesthetically pleasing.

We recently developed a type of grating that includes insect growth inhibitor and serves as an anti-pest barrier for gutters, ditches, etc.



Load testing

Our Products Helping Solve Social Issues

Reducing Usage of Environmentally Harmful Substances with Our Chromate-free Products



For our steel sheet products, we have dedicated effort to developing chromate-free plates as quickly as possible. These plates do not contain hexavalent chromium, which is an environmentally harmful substance, and therefore help us minimize environmental burdens in our product creation.

In 2005, we completely removed chromate from products for customers in the electrical appliance industry, and, in 2007, we became the first in the industry to launch chromate-free treated steel sheet for roofing and siding (brand name Eco Green) for use in exposed environments.

Our YODO Hyper GL Color chromate-free pre-painted steel sheet for building exteriors, which launched in January 2017, was developed following the concept of “long-term use that is friendly to people and the environment.” The product’s durability was improved overall by reevaluating the pre-painting process, coating, and other aspects. It has garnered strong praise for achieving a 25-year warranty against perforation.

As a pioneer of chromate-free treated steel sheet, we will continue to meet the demands of society and realize a new level of contributing to minimize environmental burdens through on-going product development.



Example of product use in electric appliances



Example of product use in building materials

Contributing to Global Warming Prevention through Insulation Solutions

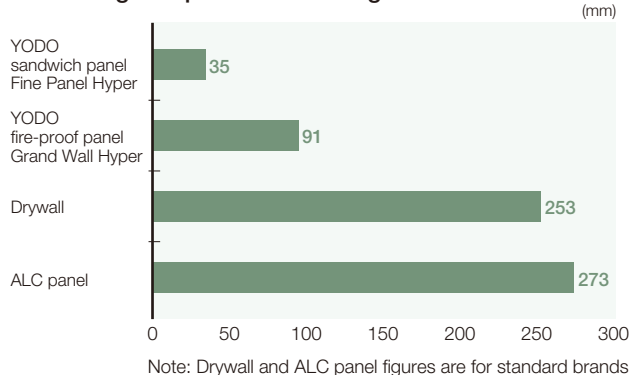


Exterior walls and siding in non-residential building construction follow two broad approaches: cement construction, exemplified by ALC (autoclaved lightweight aerated concrete) panels, and metal construction.

The mainstay metal siding products that we sell, which are lightweight and have excellent design properties, are YODO fire-proof panel Grand Wall Hyper (with a sandwich panel structure) and YODO sandwich panel Fine Panel Hyper.

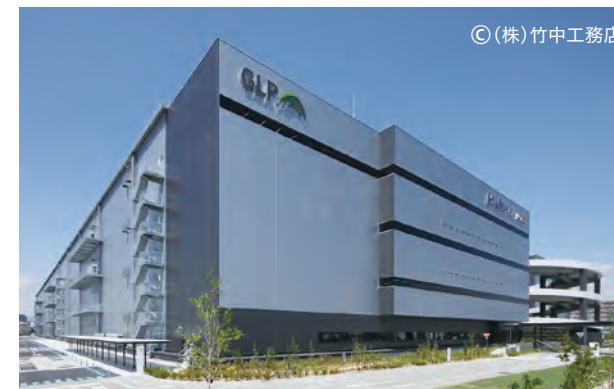
The insulation in YODO fire-proof panel Grand Wall Hyper uses rock wool, which is artificial mineral fiber with excellent heat resistance. This allows the product to have approximately three times the insulating properties of ALC panel. Meanwhile, YODO sandwich panel Fine Panel Hyper uses rigid urethane foam, which is plastic foam that also has excellent heat resistance.

▼ Thickness comparison for attaining comparable insulating effects



YODO fire-proof panel Grand Wall Hyper and YODO sandwich panel Fine Panel Hyper increase heating and cooling effects with their superior insulating qualities, which contributes to reducing energy usage. Additionally, these products use special steel sheet, based on YODO Hyper GL Color chromate-free pre-painted steel sheet, with added stain and heat resistance features, resulting in further reduction of environmental burdens. YODO fire-proof panel Grand Wall Hyper has received fireproof certification as a stand-alone exterior building material, while also boasting superior wind pressure and seismic resisting qualities, as well as sound insulating qualities.

In recent years, with the heightening awareness of environmental problems, environmental performance has started to receive greater emphasis during customers’ product selection. Our highly functional metal siding contributes to global warming prevention efforts by reducing CO₂ emissions through superior energy-saving features.

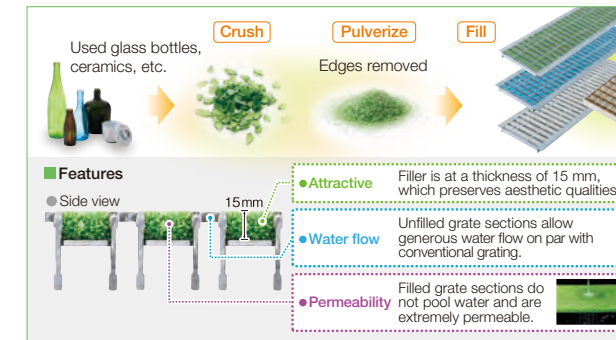


YODO fire-proof panel Grand Wall installation example

Recycling Glass as Grating Material



YODO Crystal Grating takes pulverized recycled glass and ceramics and fills them into sections of the grate lattice. Collected glass bottles, ceramics, and similar items are sorted by color, crushed and pulverized, then processed to round and remove sharp edges. The resulting grains, several millimeters in size, can be used as filler. This creates safe grating that has excellent design features while still preserving water permeability. At the supply source for YODO Crystal Grating raw material, color selection is carried out to a more detailed degree than at normal waste processing facilities, which allows for richer color and design choices for this product.



Ceramic utensils are said to make up approximately 6% of non-burnable garbage. Ceramics, with their firing temperature that is higher than typical glass, have gained a reputation as being difficult to recycle and many municipalities bury them as waste. YODO Crystal Grating can take this material, pulverize it the same as glass, then dye and use it as raw material, which helps cut down on buried waste.

Human Resources Development for Sustainable Growth

Human Resources Development

Basic Policy

We are realizing part of our Business Philosophy, namely, to “take up the challenge to innovate and expand based on the individual creativity of each employee,” by training and educating our human resources.

Training Programs

We are striving to support career development for employees, while also boosting skills and motivation, through OJT (On-the-Job Training) focusing on daily work tasks and OFF-JT leveraging internal and external resources. Furthermore, through training and other programs, we are fostering employees who each maintain a constant awareness of issues, who can think for themselves, and who can take action to deliver products that meet the needs of our times. We target employee training that enables workers to contribute to peoples’ lives and the development of society.

▼ Main training programs

New employee training	Fundamental skills training for new college-graduate employees On-the-Job Training (OJT)
Rank-based training	Young employee training Core employee training New manager training (early management phase)
Mental health training	
Language training (English, Chinese)	



Young employee training



New manager training

Business Improvement Activities (JK Activities)

(J: *jishu* for voluntary, K: *kanri* for management)

We carry out self-management activities in small groups addressing the themes of quality improvement, cost reduction, productivity improvement, safety, and environmental preservation. Once a year, we also have a large meeting that brings Group companies together in Osaka, with our 50th meeting taking place in 2016.

Presentations are made at this Group-wide meeting to provide opportunities to study effective examples that we can leverage to improve business practices. We utilize these types of activities in order to strive for growth and self-realization for each employee.



Yodogawa Steel Group JK Meeting

Diversity

We hire diverse human resources regardless of gender, nationality, or the presence or absence of disability. Similarly, we aim to be a Company with a broad array of values and a global outlook that enables us to contribute to cities, lifestyles, and society in general.

We also believe that establishing a work environment conducive to energetic participation will stimulate the growth of individual employees with diverse talents and values, while also contributing to greater corporate value. One key component of this objective is encouraging the participation of female professionals. Specifically, we have created a hiring goal to make female professionals 20% of our college-graduate career-path employees. Furthermore, we are carrying out training, including language and other types of training, in order to establish and spread the idea of female career-path employees. One aspect of this is also having female employees be active overseas.

Quality Assurance Initiatives

Basic Policy

Based on the Yodogawa Steel Group Business Philosophy, and in order to meet customer expectations and trust, we have established quality management systems in each business division. While productively running and maintaining these systems, we are striving to evaluate and continually improve their efficacy.

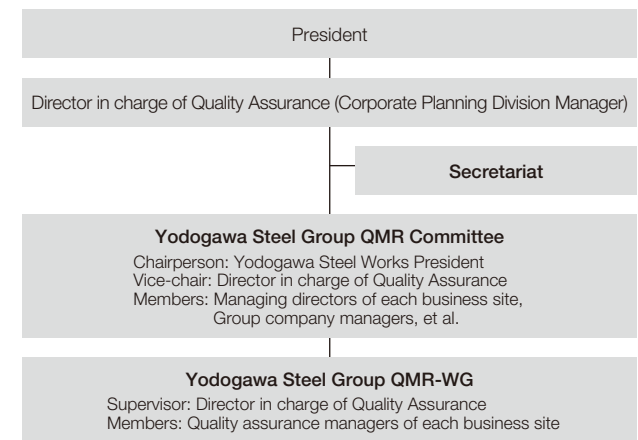
In the process, our highest priority is adhering to rules, such as laws, contracts with customers, and standards, while strengthening systems for preventing and detecting defects and inadequacies. Additionally, we have established a QMR Committee,* and QMR Working Group, tasked with strengthening the overall quality assurance framework of the Group.

Members of these cross-divisional organizations comprise quality assurance managers in each division, including at affiliated companies. Duties involve ensuring compliance with Guidelines for Strengthening Quality Assurance Systems (stipulated by industry bodies), sharing and spreading quality-related information and examples of initiatives to address quality issues, and carrying out reciprocal quality audits among business sites.

Through these types of activities, we are working to further raise the level of our quality assurance.

*QMR: Quality Management Reinforcing

▼ Yodogawa Steel Group Quality Assurance Framework



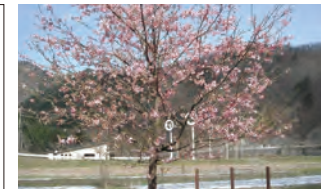
Social Contribution Activities

Participating in the SAKURA+ PROJECT

The name of this project incorporates the sentiment of wanting to increase the number of cherry trees, cherry tree sightseeing spots, and human connections created through cherry trees. From March 2012, we have donated a portion of the sales of our Esumo and Erumo lines of Yodo storage cabinets and sheds to sponsor the SAKURA + PROJECT and in November 2012, the PROJECT carried out its first tree planting festival in Otsuchi-cho (Iwate Prefecture). Currently, trees are being planted in Fukushima Prefecture along national highways.



SAKURA + PROJECT logo



Symbolic tree in Otsuchi-cho, Iwate prefecture

Displaying the Yodoko Guest House to the Public

The Yodoko Guest House was designed by Frank Lloyd Wright, lauded as one of the preeminent architects of the 20th century, and built as a vacation villa for the eighth-generation sake brewer Yamamura Tazaemon of Nada, Kobe Prefecture. We have owned it since 1947. This villa has been designated a National Important Cultural Property by the Japanese government and, since 1989, we have made it open to the public as part of our social contribution activities. Currently, the building is temporarily closed for historical preservation work that started in November 2016 and is scheduled to take approximately two years.



Yodoko Guest House (former vacation villa of the Yamamura Family)



A tour during construction

Governance

Basic Philosophy

In order to achieve sustainable growth and increase corporate value over the mid-to long-term, we have pursued a variety of initiatives taking into consideration the standpoints of all stakeholders, including shareholders, customers, business partners, employees, and local societies, while positioning transparency, fairness, and prompt and courageous decision making as the objective of our corporate governance.

Corporate Governance Structure

We emphasize nimble management suited to the scale of our company and have elected to be organized as a company with an Audit & Supervisory Board. Furthermore, we have adopted an Executive Officer system that aims to keep a measure of efficient distance between Directors' oversight/decision making and business execution, while still maintaining continuity, from the standpoint of sharing information, between management decisions and business execution.

In order to build a Board of Directors with a dynamic structure

and one that is optimal with regard to clarifying management responsibilities and responding to changes in the business environment, we have Directors elected for one-year terms and the Company's Articles of Incorporation stipulate no more than seven Directors. By appointing diverse Directors with differing experiences and knowledge, we aim to ensure an appropriate size and diverse composition of the Board of Directors, while facilitating more energetic, constructive, and engaging discussions during Board meetings. Additionally, in order to strengthen the transparency of oversight and decision making processes, we also appoint independent Outside Directors who meet the Tokyo Stock Exchange's criteria for independence. As of June 30, 2018, the Company has a total of seven Directors, three of whom are Independent Outside Directors.

With regard to the structure of the Audit & Supervisory Board, the Companies Act and our Articles of Incorporation stipulate that we have no more than four Audit & Supervisory Board members, with at least half being independent Outside Audit & Supervisory Board members.

▼ History of corporate governance reforms

June 2003	The Company elected to have one-year terms for Directors, in order to build a dynamic structure for the Board of Directors, and one that is optimal for clarifying management responsibilities and responding to changes in the business environment.
June 2004	The Company adopted an Executive Officer system, reducing the number of Board of Directors members from no more than 18 to no more than 7, in order to have a measure of distance between oversight/decision making functions and business execution functions, to increase the strength and efficiency of the oversight functions of the Board of Directors, and to increase the speed of business execution. After abolishing the Directors' retirement benefits program, the Company adopted a stock option (stock-based remuneration) program for Directors and Executive Officers. This program utilizes stock options and is intended to further increase the correlation between Company performance and Company stock price, while also raising commitment and motivation toward growing the stock price and improving business performance.
June 2006	The Company decided to include Outside Directors on the Board of Directors and appointed one Outside Director in order to facilitate more energetic, constructive, and engaging discussions during Board meetings, while also strengthening the transparency of oversight and decision making processes.
June 2015	The Company decided to include multiple, independent Outside Directors on the Board of Directors and appointed two Outside Directors in order to facilitate more energetic, constructive, and engaging discussions during Board meetings, while also strengthening the transparency of oversight and decision making processes.
December 2015	Accompanying the adoption of a corporate governance code, the Company enacted the Yodogawa Steel Works, Ltd. Corporate Governance Guidelines as the Company's second highest regulations after the laws and regulations of Japan and our Articles of Incorporation.
June 2018	In order to further strengthen governance, the Company decided to add one additional Outside Director on the Board of Directors, giving the Company a total of seven Directors, three of whom are Independent Outside Directors.

Directors



Takaaki Kawamoto Chairman and Representative Director
Satoshi Nitta President and Representative Director
Toyomi Omori Director, Senior Managing Executive Officer
Toshio Kumamoto Director, Managing Executive Officer
Toshikazu Saeki Director (Independent Outside Director)
Hiroshi Okamura Director (Independent Outside Director)
Mitsuaki Yuasa Director (Independent Outside Director)

Audit & Supervisory Board Members

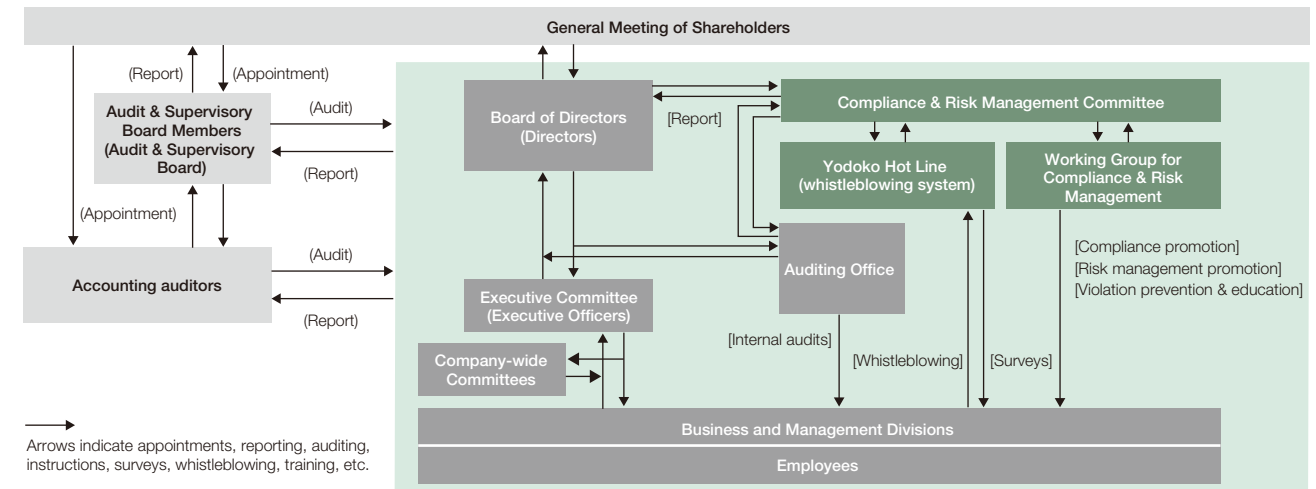


Maomi Hayashi Audit & Supervisory Board Member (full-time)
Shiro Morioka Audit & Supervisory Board Member (full-time)
Osamu Utsuro Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member)
Tomotaka Iwata Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member)

▼ FY 2017 Meeting attendance by outside directors and outside audit & supervisory board members

Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings
Toshikazu Saeki	15 times present at 15 meetings	—
Hiroshi Okamura	15 times present at 15 meetings	—
Osamu Utsuro	15 times present at 15 meetings	16 times present at 16 meetings
Tomotaka Iwata	14 times present at 15 meetings	15 times present at 16 meetings

▼ Diagram of governance structure



Market environment

During the fiscal year ended March 31, 2018, the gradual recovery of the Japanese economy continued as consumer spending maintained its upturn against the background of further improvement in corporate earnings, the labor market, and personal income.

In the global economy, the U.S. Federal Reserve raised interest rates in June and December 2017 and March 2018, which went along with increasing exports fueled by global economic growth as well as strong consumer spending and capital expenditures. Furthermore, economies in Europe were generally healthy, too. In China, there were concerns that measures to stop real estate speculation and tighten financial controls may cause economic growth to slow. However, China's economy remained sound with the support of strength in exports and consumer spending. Then, late in the fiscal year, stock prices worldwide began to fall in response to rising long-term interest rates due to expectations for higher inflation in the United States, where labor statistics were better than forecast. Financial markets have remained unstable since then, partly because of additional worries created by U.S. trade protectionism.

In the steel industry, shipments of ordinary steel products in Japan were strong overall 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. But prices of steel products then began to climb in response to China's elimination of low-quality steel made from ferrous scrap, production limitations caused by tighter

environmental regulations, and other events. In the fiscal year's final months, steel prices started declining in part because of worries about growing inventories and U.S. restrictions on steel imports.

Financial results

Given this environment, Group operational results for the consolidated fiscal year amounted to net sales of 173,805 million yen (up 19,584 million yen, year on year), operating profit of 10,856 million yen (down 2,311 million yen, year on year), ordinary profit of 12,284 million yen (down 1,478 million yen year on year), profit attributable to owners of parent of 7,360 million yen (up 625 million yen year on year).

Net sales increased primarily because of price revisions in the Steel Sheet-related Business. Some progress in the form of higher sales at Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS), a subsidiary in China, also contributed to the sales growth. Operating profit was lower in Japan as the higher cost of primary raw materials, secondary materials, energy and other items more than offset the positive effect of price revisions. Overseas, there was a sharp decline in operating profit despite a measure of improvement at YSS. The main reason was lower earnings at Taiwan subsidiary Sheng Yu Steel Co., Ltd. (SYSCO), caused by flat steel demand in Taiwan and a resumption in the downturn in exports to the United States, which had been recovering, because of U.S. trade protectionism. Ordinary profit decreased less than operating profit primarily because of an increase in dividend income and gains on sales of investment securities. Profit attributable to owners of parent increased primarily due to the

rebound from the extraordinary loss for the impairment of non-current assets at YSS recorded in the previous fiscal year.

Future outlook

The outlook for the global economy is generally positive, despite a number of risk factors. There are concerns about trade friction associated with the emergence of trade protectionism that began in the United States and risks from tension involving the Middle East and North Korea. In Japan, the outlook is for a continuation of a slow economic recovery. The Japanese economy will probably benefit from the growth of expenditures related to the Tokyo Olympics in 2020 and private-sector capital expenditures, as well as from steady consumer spending.

The overseas steel market is expected to continue to grow because of support from the strength of the global economy. But there are concerns about the effects of protectionist trade policies worldwide, such as the U.S. import tariff hike for steel products (U.S. Trade Expansion Act, Section 232). In Japan, the demand for steel is strong because of the high level of private-sector capital expenditures and the start of many construction projects for the Tokyo Olympics in 2020. But the Yodogawa Steel Group expects that higher prices of hot-rolled steel sheets and zinc, the primary raw materials for the Group's steel products, and other factors will create a challenging business climate.

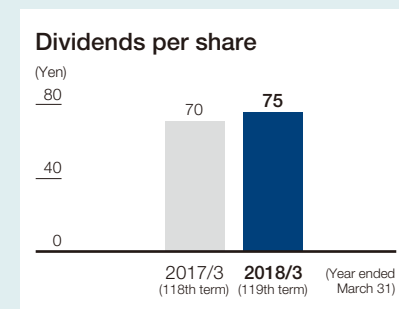
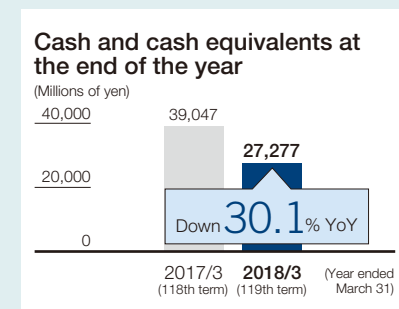
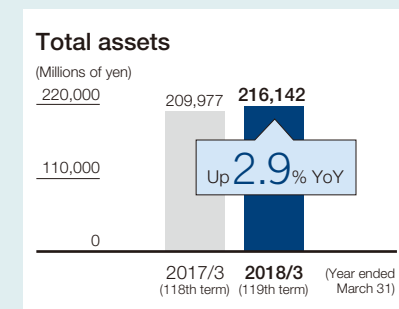
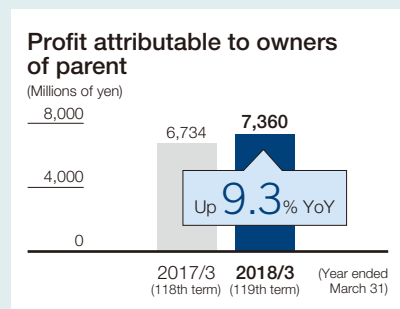
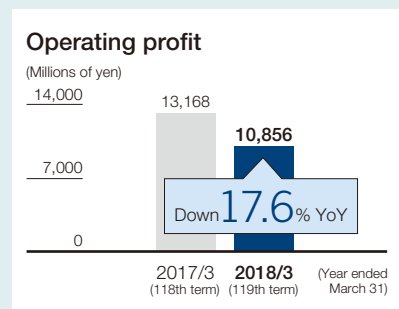
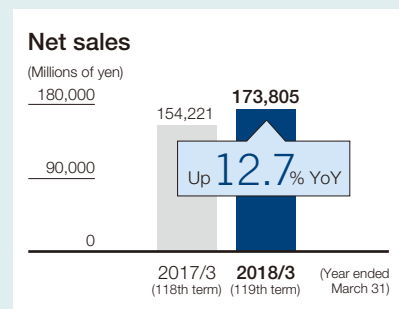
The fiscal year ending in March 2019 is the second year of the Yodogawa Steel Group Medium-Term Management Plan 2019. To achieve the goals of this plan, all companies are taking full advantage of the flexibility and organizational capacity that

have always been key strengths of the entire group. To become more profitable, Group companies are continuing to revise selling prices, establish positions in new markets, and increase sales of value-added products. To put the operations of YSS on a successful track, which is of the highest priority for the Yodogawa Steel Group, we will further promote cooperation with Shanghai Yodoko Trading Co., Ltd. (SYT), which was established in November 2017 for the home appliance and electronics market, and Yodoko Building Material (Hangzhou) Co., Ltd. (YBMH), a non-consolidated subsidiary for the building materials market.

Returns to shareholders

The Company sees returns to shareholders as one of our highest priorities and is committed to a policy of paying dividends and buying back shares in line with operating results. Our basic policy is to pay continuous and stable dividends that match our operating results, while considering the outlook for future results, capital requirements necessary for investments to boost corporate value, and resources needed to maintain a robust financial standing. Our objective to "pay dividends in line with operating results" aims for a consolidated annual payout ratio of approximately 30–50%. We are committed to maintaining a 50-yen or higher annual dividend per share for the three years covering FY 2017-2019.

The dividend per share for the fiscal year ending March 31, 2018 is set at 75 yen, which combines a 35-yen interim dividend with a 40-yen year-end dividend.



Consolidated Balance Sheet

(Millions of yen)

	The year ended March 31, 2017	The year ended March 31, 2018
Assets		
Current assets		
Cash and deposits	40,761	30,716
Notes and accounts receivable-trade	41,103	43,938
Securities	—	2,888
Merchandises and finished goods	11,404	16,081
Work in process	3,457	4,684
Raw materials and supplies	10,646	13,122
Deferred tax assets	528	446
Other current assets	6,400	5,376
Allowance for doubtful accounts	(113)	(149)
Total current assets	114,188	117,104
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,869	60,924
Accumulated depreciation	(43,213)	(44,632)
Buildings and structures, net	16,656	16,291
Machinery, equipment and vehicles	130,699	133,033
Accumulated depreciation	(117,628)	(120,453)
Machinery, equipment and vehicles, net	13,071	12,579
Land	18,685	18,848
Leased assets	1,408	1,504
Accumulated depreciation	(529)	(717)
Leased assets, net	879	787
Construction in progress	765	1,135
Other	11,993	12,084
Accumulated depreciation	(11,163)	(11,217)
Other, net	829	867
Total property, plant and equipment, net	50,888	50,509
Intangible assets		
Goodwill	10	7
Other	1,416	1,475
Total intangible assets	1,427	1,482
Investments and other assets		
Investment securities	42,574	46,338
Long-term loans receivable	3	0
Deferred tax assets	403	278
Other	492	427
Allowance for doubtful accounts	(0)	—
Total investments and other assets	43,474	47,045
Total non-current assets	95,789	99,037
Total assets	209,977	216,142

(Millions of yen)

	The year ended March 31, 2017	The year ended March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,800	18,154
Short-term loans payable	669	—
Lease obligations	177	772
Income taxes payable	2,770	2,165
Provision for bonuses	1,052	1,056
Other	7,978	6,098
Total current liabilities	30,448	28,247
Non-current liabilities		
Lease obligations	743	19
Deferred tax liabilities	3,942	4,564
Deferred tax liabilities for land revaluation	856	856
Provision for directors' retirement benefits	94	66
Net defined benefit liability	8,278	7,569
Other	4,240	4,244
Total non-current liabilities	18,154	17,320
Total liabilities	48,603	45,567
Net assets		
Shareholders' equity		
Capital stock	23,220	23,220
Capital surplus	20,388	20,393
Retained earnings	95,664	100,775
Treasury shares	(12,199)	(12,679)
Total shareholders' equity	127,074	131,710
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,477	16,420
Revaluation reserve for land	1,626	1,646
Foreign currency translation adjustment	1,580	2,798
Remeasurements of defined benefit plans	(1,516)	(990)
Total accumulated other comprehensive income	16,167	19,875
Share acquisition rights	205	223
Non-controlling interests	17,927	18,764
Total net assets	161,374	170,574
Total liabilities and net assets	209,977	216,142

Consolidated Statement of Operations

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Net sales	154,221	173,805
Cost of sales	123,884	144,973
Gross profit	30,336	28,831
Selling, general and administrative expenses	17,168	17,974
Operating profit	13,168	10,856
Non-operating income	1,579	2,113
Non-operating expenses	984	685
Ordinary profit	13,763	12,284
Extraordinary income	2	24
Extraordinary losses	965	222
Profit before income taxes	12,800	12,087
Income taxes : current	4,126	3,537
Income taxes : deferred	73	(145)
Total income taxes	4,199	3,391
Profit	8,600	8,695
Profit attributable to non-controlling interests	1,866	1,335
Profit attributable to owners of parent	6,734	7,360

Consolidated Statement of Operations

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Profit	8,600	8,695
Other comprehensive income	3,322	4,618
Comprehensive income	11,923	13,314

Consolidated Statement of Changes in Net Assets (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	23,220	20,388	95,664	(12,199)	127,074	14,477	1,626	1,580	(1,516)	16,167	205	17,927	161,374
Changes of items during period													
Dividends of surplus			(2,230)		(2,230)								(2,230)
Profit attributable to owners of parent			7,360		7,360								7,360
Purchase of treasury shares				(495)	(495)								(495)
Disposal of treasury shares			(5)	15	9								9
Purchase of shares of consolidated subsidiaries			11		11								11
Reversal of revaluation reserve for land			(19)		(19)								(19)
Net changes of items other than shareholders' equity						1,943	20	1,218	526	3,708	18	836	4,564
Total changes of items during period	—	5	5,110	(480)	4,635	1,943	20	1,218	526	3,708	18	836	9,199
Balance at end of current period	23,220	20,393	100,775	(12,679)	131,710	16,420	1,646	2,798	(990)	19,875	223	18,764	170,574

Consolidated Statement of Cash Flows

(Millions of yen)

	The year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	The year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities	10,218	1,933
Cash flows from investing activities	(1,559)	(9,026)
Cash flows from financing activities	(9,897)	(5,288)
Effect of exchange rate changes on cash and cash equivalents	(503)	611
Net increase (decrease) in cash and cash equivalents	(1,742)	(11,769)
Cash and cash equivalents at beginning of period	40,790	39,047
Cash and cash equivalents at end of period	39,047	27,277

Corporate Profile

Company name	Yodogawa Steel Works, Ltd.
Established	January 30, 1935
Capital	23,220,815,228 yen
Employees	1,196

Major Offices & Plants

Head office	4-1-1, Minamihonmachi, Chuo-ku, Osaka 541-0054, Japan 81-6-6245-1111
Tokyo branch	1-3-7, Shintomi, Chuo-ku, Tokyo 104-0041, Japan 81-3-3551-1171
Sales offices	Sapporo, Morioka, Sendai Regional, Niigata, Nagano, Takasaki, Tokyo Regional, Yokohama, Shizuoka, Hokuriku, Nagoya Regional, Osaka Regional, Kobe, Okayama, Hiroshima, Takamatsu Regional, Kochi, Yahata, Fukuoka Regional, Kagoshima, Okinawa
Plants	Osaka (Osaka prefecture), Kure (Hiroshima prefecture), Ichikawa (Chiba prefecture), Fukui (Fukui prefecture), Izumiotsu (Osaka prefecture), Himeji (Hyogo prefecture)

Main Affiliated Companies

Consolidated Subsidiaries

Takada Kozai Kogyo Co., Ltd.	Steel sheet processing, sales, and warehousing
Sheng Yu Steel Co., Ltd.	Steel sheet manufacturing and sales
Yodoko Shoji Co., Ltd.	Steel wholesaling and transportation
Keiyo Tekko Futo Co., Ltd.	Distribution and warehousing
Yodoko Kohatsu Co., Ltd.	Golf course and other management and real estate leasing
Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd.	Steel sheet manufacturing and sales
PCM Processing (Thailand) Ltd.	Prepainted steel sheet manufacturing, processing, and sales

Equity-Method Affiliated Companies

Sadoshima Corporation	Steel wholesaling
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Directors and Executive Officers (as of June 22, 2018)

Directors	Executive Officers	
Chairman and Representative Director		Takaaki Kawamoto
President and Representative Director		Satoshi Nitta
Director	Senior Managing Executive Officer	Toyomi Omori
Director	Managing Executive Officer	Toshio Kumamoto
Director		Toshikazu Saeki
Director		Hiroshi Okamura
Director		Mitsuaki Yuasa
	Senior Executive Officer	Tadashi Hattori
	Senior Executive Officer	Yoichiro Nakano
	Senior Executive Officer	Yoshihiro Kawamoto
	Executive Officer	Yasunori Osumi
	Executive Officer	Eiichi Tanaka
	Executive Officer	Shoji Umehara
	Executive Officer	Atsushi Hirata

Note: Toshikazu Saeki, Hiroshi Okamura, and Mitsuaki Yuasa are all Outside Directors in accordance with the Companies Act.

Audit & Supervisory Board Members

Audit & Supervisory Board Member (full-time)	Maomi Hayashi
Audit & Supervisory Board Member (full-time)	Shiro Morioka
Audit & Supervisory Board Member	Osamu Utsuro
Audit & Supervisory Board Member	Tomotaka Iwata

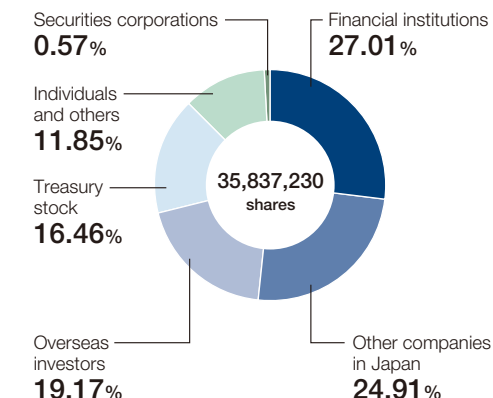
Note: Osamu Utsuro and Tomotaka Iwata are both Outside Audit and Supervisory Board Members in accordance with the Companies Act.

Principal Shareholders

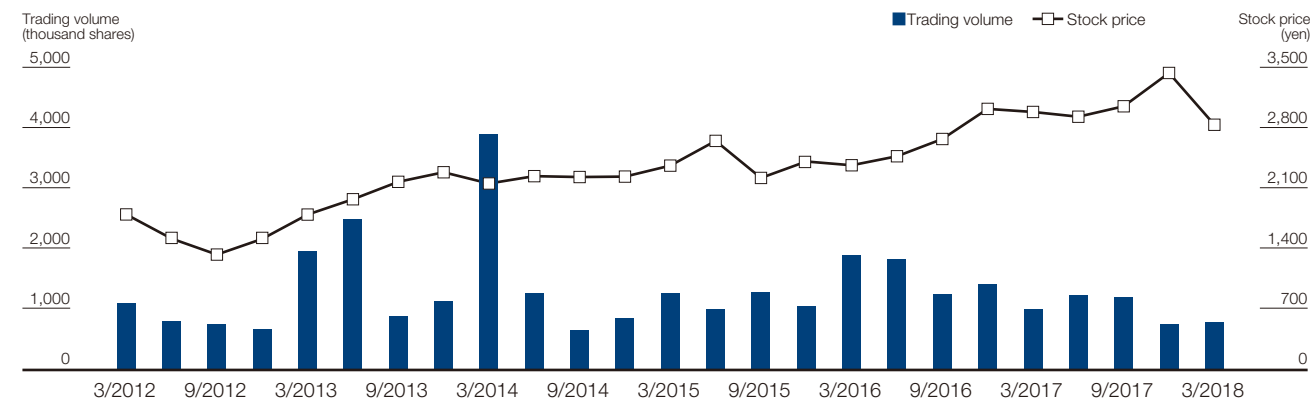
Name	Shares Owned	Shareholding Ratio (%)
Mizuho Trust & Banking Co., Ltd.	1,094,000	3.65
Resona Bank, Limited.	1,068,400	3.56
Mizuho Bank, Ltd.	1,062,105	3.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	986,400	3.29
Yodoko Partners' Shareholding Association	942,042	3.14
Japan Trustee Services Bank, Ltd. (Trust Account)	879,200	2.93
Nippon Life Insurance Company	618,637	2.06
POSCO	600,000	2.00
JFE Steel Corporation	587,377	1.96
Sadoshima Corporation	566,700	1.89
Total	8,404,861	28.07

Notes: 1. The Company holds 5,901,681 shares as treasury stock and is not included in the above list of major shareholders.
2. Treasury stock (5,901,681 shares) is deducted from calculations of the shareholding ratio.

Share Ownership by Category



Movements in Stock Price and Trading Volume



Note: Data before the end of September 2015 have been adjusted to account for share consolidation.



Yodogawa Steel Works, Ltd.

4-1-1 Minami-honmachi, Chuo-ku, Osaka
541-0054, Japan
Tel. (06) 6245-1111 (main switchboard)
<http://www.yodoko.co.jp/>

Shareholder Reminders

Account closing date	March 31
Ordinary general meeting of shareholders	June
Record date	Ordinary general meeting of shareholders, year-end dividend March 31 Interim dividend September 30 Other dates shall be in accord with pre-announced schedules.
Number of shares per trading unit	100 shares
Shareholder registry administrator & special account administrator	Mizuho Trust & Banking Co., Ltd.
Address of shareholder registry administrator's office of operations	1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan Mizuho Trust & Banking Co., Ltd. Method of public notice
Stock transfer agency department	Electronic notice Please see our website http://www.yodoko.co.jp/english/index.html

Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department Contact

Tel. 0120-288-324 (toll free in Japan)
Online <http://www.mizuho-tb.co.jp/daikou/>
Postal address Stock Transfer Agency Department
Mizuho Trust & Banking Co., Ltd.
2-8-4 Izumi, Sugunami-ku, Tokyo 168-8507, Japan

Procedures Regarding Stock

Stock handling procedures differ depending on whether shares are held in a securities brokerage account or in a special account. Please see below for whom to contact in each case.

Shares held in a securities brokerage account

Procedures and information	Contact
<ul style="list-style-type: none"> Selling or purchasing odd-lot shares Change of name, address, etc. Changes to dividend receipt and payment 	Securities brokerage managing your account
<ul style="list-style-type: none"> Information on mail and returned mail Information on unpaid dividends* Information on other stock handling procedures 	Shareholder registry administrator Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department

Shares held in a special account

Procedures and information	Contact
<ul style="list-style-type: none"> Selling or purchasing odd-lot shares Change of name, address, etc. Changes to dividend receipt and payment 	Special account management administrator Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department
<ul style="list-style-type: none"> Information on mail and returned mail Information on unpaid dividends* Information on other stock handling procedures 	Shareholder registry administrator Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department

*Payment of unpaid dividends can be handled at the Mizuho Bank, Ltd. Head Office or at one of the branch offices.