



November 2, 2017

**Summary of the Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2018 (FY3/18)  
(Six Months Ended September 30, 2017)**

**[Japanese GAAP]**

Company name: Yodogawa Steel Works, Ltd. Stock exchange listed: Tokyo, 1st Section  
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 Scheduled date of filing of Quarterly Report: November 10, 2017  
 Scheduled date of payment of dividend: December 1, 2017  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

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

**1. Consolidated Financial Results for the Second Quarter (April 1, 2017 to September 30, 2017) of FY3/18**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2017	84,826	15.7	6,750	7.9	7,529	23.6	4,449	37.7
Six months ended Sep. 30, 2016	73,330	(14.2)	6,254	100.5	6,090	68.4	3,232	-

Note: Comprehensive income (millions of yen): Six months ended Sep. 30, 2017: 8,228 (-%)  
 Six months ended Sep. 30, 2016: (886) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	149.80	149.17
Six months ended Sep. 30, 2016	107.25	106.83

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2017	214,202	166,540	69.3
As of Mar. 31, 2017	209,977	161,374	68.2

Reference: Shareholders' equity (millions of yen): As of Sep. 30, 2017: 148,482 As of Mar. 31, 2017: 143,241

**2. Dividends**

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

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

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

(Percentages represent year-on-year changes)

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

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

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

**\* Notes**

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

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2017:	35,837,230 shares	As of Mar. 31, 2017:	35,837,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2017:	6,186,406 shares	As of Mar. 31, 2017:	6,028,845 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	29,706,498 shares	Six months ended Sep. 30, 2016:	30,139,193 shares
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\* The current quarterly financial report is not subject to quarterly review procedures.

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

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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2018, the gradual recovery of the Japanese economy continued with the support of a further improvement in corporate earnings and a recovery in consumer spending due to a strong job market.

In the United States, the economy is healthy mainly because of a slow recovery in consumer spending and capital expenditures as demand for workers remains firm. Economic recoveries are taking place in most European countries, too. In China, the economy is strong in most areas as companies report a recovery in earnings backed by the benefits of government economic policies and an improvement in the balance between supply and demand.

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

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

The Yodogawa Steel Group's net sales in the first half increased 11,496 million yen to 84,826 million yen. Operating profit increased 496 million yen to 6,750 million yen, ordinary profit increased 1,439 million yen to 7,529 million yen, and profit attributable to owners of parent increased 1,217 million yen to 4,449 million yen.

The main reasons for the growth in sales were revisions to prices of steel sheet products and an improvement in the performance of Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS), a subsidiary in China.

Results by business segment are as follows.

#### 1) Steel Sheet-related Business

Net sales totaled 79,147 million yen and operating profit was 6,665 million yen.

##### Steel Sheet Segment

The volume of steel sold in Japan to specific high-demand customers, mainly for use in exported products, decreased because of sales activities that placed priority on profitability. Monetary sales in this category increased due to price increases. Monetary retail sales of steel for general distribution increased as customers have been accepting most price revisions. The sales volume was higher in non-residential sectors as capital expenditures increased, but total retail sales volume were unchanged from one year earlier because of weakness in the overall residential market.

In Taiwan, the sales volume of subsidiary Sheng Yu Steel Co., Ltd. (SYSCO) declined because the growth of Taiwan's steel market stopped for a short time in the fiscal year's second quarter. But monetary sales increased as prices increased and exports to North America recovered. In China, earnings at YSS improved because of progress regarding sales. In Thailand, sales volume was lower at subsidiary PCM Processing (Thailand) Ltd. (PPT) due to price revisions and the higher cost of raw materials caused earnings to decline.

##### Building Material & Exterior Products Segment

Sales of building materials decreased because of a decline in the sales volume of YODO Fine Panel insulated siding and the policy of becoming more selective regarding orders for roofing products. But sales of the exterior products increased. There was growth in sales of storage sheds along with a recovery in consumer spending and strong sales of garages, warehouses and other large structures. Construction sales increased due to the completion of large projects for the installation of YODO fire-proof panel Grand Wall.

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

## 2) Roll Business

Sales decreased mainly because of a decline in the volume of iron and steel industry roll sales. As a result, net sales totaled 1,731 million yen and operating profit was 90 million yen.

## 3) Grating Business

There were sales activities to capture more private-sector orders, but sales in this business were lower because of decline in public-sector sales. As a result, net sales totaled 1,612 million yen and operating profit was 49 million yen.

## 4) Real Estate Business

Sales increased because of the acquisition of a tenant-occupied building and a higher occupancy rate at the properties in this business. As a result, net sales totaled 512 million yen and operating profit was 349 million yen.

## 5) Other Businesses

Higher sales in material sales operations raised sales in other businesses. As a result, net sales totaled 1,822 million yen and operating profit was 206 million yen.

## (2) Explanation of Financial Position

### Assets

Current assets increased by 1,712 million yen from the end of the previous fiscal year to 115,900 million yen. This was attributable mainly to a decrease of 4,903 million yen in cash and deposits and increases of 3,523 million yen in merchandise and finished goods, 1,571 million yen in work in process, and 1,316 million yen in securities.

Non-current assets increased by 2,512 million yen from the end of the previous fiscal year to 98,302 million yen. This was mainly attributable to an increase of 3,400 million yen in investment securities and a decrease of 802 million yen in property, plant and equipment.

Total assets increased by 4,224 million yen from the end of the previous fiscal year to 214,202 million yen.

### Liabilities

Current liabilities decreased by 278 million yen from the end of the previous fiscal year to 30,170 million yen. This was attributable mainly to an increase of 779 million yen in notes and accounts payable-trade and decreases of 669 million yen in short-term loans payable, and 357 million yen in income taxes payable.

Non-current liabilities decreased by 662 million yen from the end of the previous fiscal year to 17,492 million yen. This was attributable mainly to a decrease of 545 million yen in net defined benefit liability.

Total liabilities decreased by 940 million yen from the end of the previous fiscal year to 47,662 million yen.

### Net assets

Net assets increased by 5,165 million yen from the end of the previous fiscal year to 166,540 million yen. This was attributable mainly to increases of 3,257 million yen in retained earnings and 2,103 million yen in valuation difference on available-for-sale securities.

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

There are many risk factors involving the global economic outlook. Notable risk factors are uncertainty about the policies of the U.S. government, concerns about a possible economic slowdown in China following economic measures prior to the October Communist Party Congress, and tension involving North Korea. But there are expectations for more growth in the United States as stock prices remained firm even after the Federal Open Market Committee announced the asset sales starting in October. In Europe, the slow economic recovery is expected to continue. As a result, the overall outlook for the global economy is positive.

In Japan, the outlook is for a continuation of a slow economic recovery. Growth is expected to be backed primarily by increasing exports resulting from the global recovery of capital expenditures and by increasing internal demand, which is mainly the result of rising consumer spending due to Japan's improving labor market and of increasing capital expenditures.

The overseas steel market will probably remain healthy for a short time because of increasing output at the key industries in China and the strength of the U.S. and European economies. In Japan, there are expectations for growth in steel consumption associated with the recovery in industrial output and the start of many construction projects for the Tokyo Olympics in 2020. But the Yodogawa Steel Group anticipates pressure on earnings from the increase in operating expenses, particularly the cost of hot-rolled steel sheets and zinc, the main raw materials for the Group's steel products.

The Yodogawa Steel Group will continue to focus on increasing sales of strategic products, such as YODO Hyper GL Color and YODO Hyper Panel Series, in accordance with the medium-term management plan.

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

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	FY3/17 (as of Mar. 31, 2017)	Second quarter of FY3/18 (as of Sep. 30, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	40,761	35,858
Notes and accounts receivable-trade	41,103	41,636
Securities	-	1,316
Merchandise and finished goods	11,404	14,927
Work in process	3,457	5,028
Raw materials and supplies	10,646	11,719
Other	6,928	5,526
Allowance for doubtful accounts	(113)	(114)
<b>Total current assets</b>	<b>114,188</b>	<b>115,900</b>
<b>Non-current assets</b>		
Property, plant and equipment	50,888	50,086
<b>Intangible assets</b>		
Goodwill	10	8
Other	1,416	1,427
<b>Total intangible assets</b>	<b>1,427</b>	<b>1,436</b>
<b>Investments and other assets</b>		
Investment securities	42,574	45,975
Other	899	803
Allowance for doubtful accounts	(0)	-
<b>Total investments and other assets</b>	<b>43,474</b>	<b>46,779</b>
<b>Total non-current assets</b>	<b>95,789</b>	<b>98,302</b>
<b>Total assets</b>	<b>209,977</b>	<b>214,202</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	17,800	18,579
Short-term loans payable	669	-
Income taxes payable	2,770	2,413
Provision for bonuses	1,052	1,399
Other	8,155	7,777
<b>Total current liabilities</b>	<b>30,448</b>	<b>30,170</b>
<b>Non-current liabilities</b>		
Provision for directors' retirement benefits	94	66
Net defined benefit liability	8,278	7,733
Other	9,781	9,692
<b>Total non-current liabilities</b>	<b>18,154</b>	<b>17,492</b>
<b>Total liabilities</b>	<b>48,603</b>	<b>47,662</b>

	(Millions of yen)	
	FY3/17 (as of Mar. 31, 2017)	Second quarter of FY3/18 (as of Sep. 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	23,220	23,220
Capital surplus	20,388	20,384
Retained earnings	95,664	98,922
Treasury shares	(12,199)	(12,681)
Total shareholders' equity	127,074	129,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,477	16,580
Deferred gains or losses on hedges	-	(0)
Revaluation reserve for land	1,626	1,626
Foreign currency translation adjustment	1,580	1,744
Remeasurements of defined benefit plans	(1,516)	(1,315)
Total accumulated other comprehensive income	16,167	18,635
Subscription rights to shares	205	226
Non-controlling interests	17,927	17,830
Total net assets	161,374	166,540
Total liabilities and net assets	209,977	214,202



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

(Millions of yen)

	First six months of FY3/17 (Apr. 1, 2016 to Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 2017)
Net sales	73,330	84,826
Cost of sales	58,638	68,974
Gross profit	14,692	15,851
Selling, general and administrative expenses	8,437	9,101
Operating profit	6,254	6,750
Non-operating income		
Interest income	140	182
Dividend income	345	430
Share of profit of entities accounted for using equity method	119	180
Other	244	271
Total non-operating income	848	1,064
Non-operating expenses		
Interest expenses	96	58
Foreign exchange losses	480	72
Cost for employees transferred temporarily to overseas subsidiaries	128	123
Loss on disposal of PCB	231	-
Other	75	31
Total non-operating expenses	1,013	285
Ordinary profit	6,090	7,529
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	-	23
Total extraordinary income	0	24
Extraordinary losses		
Loss on sales and retirement of non-current assets	41	69
Loss on valuation of investment securities	134	86
Impairment loss	23	3
Loss on liquidation of subsidiaries and associates	-	33
Total extraordinary losses	199	192
Profit before income taxes	5,891	7,362
Income taxes-current	1,742	2,006
Income taxes-deferred	63	(134)
Total income taxes	1,806	1,871
Profit	4,085	5,490
Profit attributable to non-controlling interests	852	1,040
Profit attributable to owners of parent	3,232	4,449

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

(Millions of yen)

	First six months of FY3/17 (Apr. 1, 2016 to Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 2017)
Profit	4,085	5,490
Other comprehensive income		
Valuation difference on available-for-sale securities	47	2,070
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(5,356)	406
Remeasurements of defined benefit plans, net of tax	340	230
Share of other comprehensive income of entities accounted for using equity method	(2)	30
Total other comprehensive income	(4,971)	2,738
Comprehensive income	(886)	8,228
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	508	6,918
Comprehensive income attributable to non-controlling interests	(1,394)	1,310

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information****Segment information****I. First six months of FY3/17 (Apr. 1, 2016 to Sep. 30, 2016)**

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on the consolidated statement of income (Note 3)
	Steel Sheet-related Business	Roll Business	Grating Business	Real Estate Business	Total				
Net sales									
External sales	67,684	1,857	1,665	436	71,644	1,685	73,330	-	73,330
Inter-segment sales and transfers	-	-	-	221	221	1,294	1,515	(1,515)	-
Total	67,684	1,857	1,665	658	71,865	2,980	74,846	(1,515)	73,330
Segment profit	6,138	200	54	325	6,718	203	6,922	(668)	6,254

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit includes unallocated expenses of (669) million yen and an elimination for inter-segment transactions of 1 million yen.
3. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

**II. First six months of FY3/18 (Apr. 1, 2017 to Sep. 30, 2017)**

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

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on the consolidated statement of income (Note 3)
	Steel Sheet-related Business	Roll Business	Grating Business	Real Estate Business	Total				
Net sales									
External sales	79,147	1,731	1,612	512	83,004	1,822	84,826	-	84,826
Inter-segment sales and transfers	-	-	-	221	221	1,293	1,515	(1,515)	-
Total	79,147	1,731	1,612	733	83,225	3,116	86,342	(1,515)	84,826
Segment profit	6,665	90	49	349	7,155	206	7,362	(611)	6,750

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit includes unallocated expenses of (613) million yen and an elimination for inter-segment transactions of 1 million yen.
3. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

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