



August 2, 2019

**Summary of the Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2020 (FY3/20)  
(Three Months Ended June 30, 2019)**

**[Japanese GAAP]**

Company name: Yodogawa Steel Works, Ltd. Stock exchange listed: Tokyo, 1st Section  
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Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

**1. Consolidated Financial Results for the First Quarter (April 1, 2019 to June 30, 2019) of FY3/20**

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

|                                  | Net sales       |       | Operating profit |        | Ordinary profit |        | Profit attributable to owners of parent |        |
|----------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
|                                  | Millions of yen | %     | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | %      |
| Three months ended Jun. 30, 2019 | 38,761          | (7.1) | 1,730            | (24.3) | 1,934           | (42.0) | 1,416                                   | (37.6) |
| Three months ended Jun. 30, 2018 | 41,706          | (2.9) | 2,286            | (44.7) | 3,333           | (27.9) | 2,270                                   | (16.4) |

Note: Comprehensive income (millions of yen): Three months ended Jun. 30, 2019: 1,152 (up 80.3%)  
 Three months ended Jun. 30, 2018: 639 (down 87.1%)

|                                  | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
|                                  | Yen                  | Yen                          |
| Three months ended Jun. 30, 2019 | 48.04                | 47.86                        |
| Three months ended Jun. 30, 2018 | 76.56                | 76.24                        |

(2) Consolidated financial position

|                     | Total assets    | Net assets      | Shareholders' equity ratio |
|---------------------|-----------------|-----------------|----------------------------|
|                     | Millions of yen | Millions of yen | %                          |
| As of Jun. 30, 2019 | 207,282         | 167,622         | 72.5                       |
| As of Mar. 31, 2019 | 209,465         | 167,671         | 71.7                       |

Reference: Shareholders' equity (millions of yen): As of Jun. 30, 2019: 150,267 As of Mar. 31, 2019: 150,236

**2. Dividends**

|   | Dividend per share |        |        |          |       |
|---|--------------------|--------|--------|----------|-------|
|   | 1Q-end             | 2Q-end | 3Q-end | Year-end | Total |
|   | Yen                | Yen    | Yen    | Yen      | Yen   |
| Fiscal year ended Mar. 31, 2019             | -                  | 30.00  | -      | 40.00    | 70.00 |
| Fiscal year ending Mar. 31, 2020            | -                  | -      | -      | -        | -     |
| Fiscal year ending Mar. 31, 2020 (Forecast) | -                  | 25.00  | -      | -        | -     |

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

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

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

(Percentages represent year-on-year changes)

|            | Net sales       |       | Operating profit |       | Ordinary profit |        | Profit attributable to owners of parent |        | Net income per share |
|------------|-----------------|-------|------------------|-------|-----------------|--------|---|--------|----------------------|
|            | Millions of yen | %     | Millions of yen  | %     | Millions of yen | %      | Millions of yen                         | %      | Yen                  |
| First half | 79,000          | (5.6) | 2,900            | (5.0) | 3,400           | (25.4) | 1,900                                   | (33.1) | 64.46                |
| Full year  | -               | -     | -                | -     | -               | -      | -                                       | -      | -                    |

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

No full fiscal year forecast is shown because of the difficulty of determining a reliable forecast at this time.

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

**\* Notes**

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

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

(4) Number of outstanding shares (common shares)

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

|                      |                   |                      |                   |
|----------------------|-------------------|----------------------|-------------------|
| As of Jun. 30, 2019: | 35,837,230 shares | As of Mar. 31, 2019: | 35,837,230 shares |
|----------------------|-------------------|----------------------|-------------------|

2) Number of treasury shares at the end of the period

|                      |                  |                      |                  |
|----------------------|------------------|----------------------|------------------|
| As of Jun. 30, 2019: | 6,360,975 shares | As of Mar. 31, 2019: | 6,361,610 shares |
|----------------------|------------------|----------------------|------------------|

3) Average number of shares outstanding during the period

|                                  |                   |                                   |                   |
|----------------------------------|-------------------|-----------------------------------|-------------------|
| Three months ended Jun. 30, 2019 | 29,475,949 shares | Three months ended Jun. 30, 2018: | 29,652,187 shares |
|----------------------------------|-------------------|-----------------------------------|-------------------|

\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first quarter of the fiscal year ending March 31, 2020, the gradual recovery of the Japanese economy continued, but the economic outlook is becoming increasingly uncertain due to slowing growth of overseas economies and to other reasons.

The outlook for the global economy also remains unclear. Consumer spending is recovering in the United States and the European and ASEAN economies are recovering slowly, but there is uncertainty about the effects of the U.S.-China trade friction on the Chinese economy.

In the Japanese steel industry, market conditions were generally favorable as production and sales of automobiles and home appliances increased. However, construction starts were slow.

In the global steel market, there is an increasing risk of a downturn in prices of steel products because of U.S. restrictions on steel imports and concerns about slowing economic growth in China and other areas of the world.

The Yodogawa Steel Group's net sales in the first quarter decreased 2,944 million yen to 38,761 million yen. Operating profit decreased 555 million yen to 1,730 million yen, ordinary profit decreased 1,399 million yen to 1,934 million yen, and profit attributable to owners of parent decreased 854 million yen to 1,416 million yen.

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

Overseas, sales and earnings decreased. The primary cause was the difficult business climate at Taiwan subsidiary Sheng Yu Steel Co., Ltd. (SYSCO) in both the domestic and export markets.

Results by business segment are as follows.

#### 1) Steel Sheet-related Business

Net sales totaled 35,957 million yen and operating profit was 1,767 million yen. Sales and earnings declined.

##### Steel Sheet Segment

In Japan, there was a decrease in sales of plated steel sheets to specific high-demand customers caused in part by an increase in Japan's imports of these sheets. Exports were also weak because of sluggish conditions in overseas markets. Despite these declines, total sales in Japan were higher than one year earlier mainly due to growth in retail sales of steel sheets for general distribution.

At Taiwan subsidiary SYSCO, the sales volume decreased and there was an operating loss mainly because of U.S. trade protectionism. In addition, the operating environment remained challenging for subsidiary Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS) in China and subsidiary PCM Processing (Thailand) Ltd. (PPT) in Thailand.

##### Building Material & Exterior Products Segment

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

#### 2) Roll Business

Net sales totaled 689 million yen and operating loss was 65 million yen.

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

### 3) Grating Business

Net sales totaled 842 million yen and operating profit was 12 million yen.

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

### 4) Real Estate Business

Net sales totaled 297 million yen and operating profit was 212 million yen.

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

### 5) Other Businesses

Net sales totaled 974 million yen and operating profit was 98 million yen.

Sales and earnings decreased because of lower sales in material sales operations.

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

### Assets

Current assets decreased by 1,437 million yen from the end of the previous fiscal year to 119,318 million yen. This was attributable mainly to an increase of 317 million yen in cash and deposits, a decrease of 2,251 million yen in notes and accounts receivable-trade, and an increase of 998 million yen in inventories.

Non-current assets decreased by 745 million yen from the end of the previous fiscal year to 87,964 million yen. This was mainly attributable to decreases of 685 million yen in investment securities and 144 million yen in property, plant and equipment.

Total assets decreased by 2,182 million yen from the end of the previous fiscal year to 207,282 million yen.

### Liabilities

Current liabilities decreased by 2,315 million yen from the end of the previous fiscal year to 24,853 million yen. This was attributable mainly to a decrease of 1,316 million yen in income taxes payable.

Non-current liabilities increased by 181 million yen from the end of the previous fiscal year to 14,806 million yen. This was attributable mainly to an increase of 152 million yen in deferred tax liabilities included in other non-current liabilities.

Total liabilities decreased by 2,133 million yen from the end of the previous fiscal year to 39,660 million yen.

### Net assets

Net assets decreased by 49 million yen from the end of the previous fiscal year to 167,622 million yen. This was attributable mainly to an increase of 237 million yen in retained earnings, a decrease of 420 million yen in valuation difference on available-for-sale securities, an increase of 172 million yen in foreign currency translation adjustment, and a decrease of 78 million yen in non-controlling interests.

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

Although the U.S. economy is healthy, the outlook for the global economy is becoming increasingly unclear due to slowing economic growth in China, the effects of U.S.-China trade friction and other trade problems, and other reasons.

In Japan, the economy is expected to remain healthy with the support of improvements in the labor market and personal income and other sources of strength. However, there are concerns about the possibility of a slowdown of Japan's economic recovery caused by decreasing exports linked to declining economic growth in China and by a downturn in consumer spending following the upcoming consumption tax hike.

In the steel industry, market conditions are expected to remain firm in Japan. But the prolonged U.S.-China trade friction, slowing economic growth in China and other countries, and other events are increasing the risk of a downturn in the demand for steel. At the Yodogawa Steel Group, capturing orders is difficult for overseas subsidiaries because of increasingly widespread trade protectionism. Furthermore, prices of hot-rolled steel sheets, zinc and other raw materials are expected to remain high. As a result, we expect significant negative pressure on earnings to continue.

To achieve the goals of the Yodogawa Steel Group Medium-Term Management Plan 2019, all companies are working on becoming more profitable. Companies are establishing positions in new markets and increasing sales of value-added products while taking full advantage of the speed and flexibility that are key strengths of the Yodogawa Steel Group.

The forecast for consolidated performance in the first half of the fiscal year ending March 31, 2020 is based on this outlook for the economy and steel market.

Determining a reliable forecast for the fiscal year is not possible at this time because of the increasing uncertainty about the business climate in Japan and overseas for the Yodogawa Steel Group. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

|  | (Millions of yen)               |  |
|--|---------------------------------|--|
|  | FY3/19<br>(as of Mar. 31, 2019) | First quarter of FY3/20<br>(as of Jun. 30, 2019) |
| Assets   |                                 |  |
| Current assets   |                                 |  |
| Cash and deposits  | 36,843                          | 37,161   |
| Notes and accounts receivable-trade                                  | 44,018                          | 41,767   |
| Securities   | 3,494                           | 2,773  |
| Merchandise and finished goods                                       | 15,519                          | 16,347   |
| Work in process  | 4,397                           | 4,258  |
| Raw materials and supplies   | 12,733                          | 13,042   |
| Other  | 3,881                           | 4,099  |
| Allowance for doubtful accounts                                      | (132)                           | (132)  |
| Total current assets   | 120,755                         | 119,318  |
| Non-current assets   |                                 |  |
| Property, plant and equipment  | 48,126                          | 47,982   |
| Intangible assets  | 1,472                           | 1,558  |
| Investments and other assets   |                                 |  |
| Investment securities  | 38,292                          | 37,606   |
| Other  | 817                             | 817  |
| Total investments and other assets                                   | 39,109                          | 38,423   |
| Total non-current assets   | 88,709                          | 87,964   |
| Total assets   | 209,465                         | 207,282  |
| Liabilities  |                                 |  |
| Current liabilities  |                                 |  |
| Notes and accounts payable-trade                                     | 17,858                          | 17,902   |
| Short-term borrowings  | 327                             | 431  |
| Income taxes payable   | 1,736                           | 420  |
| Provision for bonuses  | 971                             | 471  |
| Other  | 6,274                           | 5,627  |
| Total current liabilities  | 27,168                          | 24,853   |
| Non-current liabilities  |                                 |  |
| Provision for retirement benefits for directors (and other officers) | 66                              | 70   |
| Retirement benefit liability   | 7,154                           | 7,145  |
| Other  | 7,403                           | 7,591  |
| Total non-current liabilities  | 14,624                          | 14,806   |
| Total liabilities  | 41,793                          | 39,660   |
| Net assets   |                                 |  |
| Shareholders' equity   |                                 |  |
| Share capital  | 23,220                          | 23,220   |
| Capital surplus  | 20,385                          | 20,384   |
| Retained earnings  | 104,961                         | 105,198  |
| Treasury shares  | (13,061)                        | (13,060)   |
| Total shareholders' equity   | 135,505                         | 135,743  |
| Accumulated other comprehensive income                               |                                 |  |
| Valuation difference on available-for-sale securities                | 12,213                          | 11,792   |
| Revaluation reserve for land   | 1,639                           | 1,639  |
| Foreign currency translation adjustment                              | 1,378                           | 1,551  |
| Remeasurements of defined benefit plans                              | (500)                           | (459)  |
| Total accumulated other comprehensive income                         | 14,730                          | 14,523   |
| Share acquisition rights   | 210                             | 208  |
| Non-controlling interests  | 17,225                          | 17,146   |
| Total net assets   | 167,671                         | 167,622  |
| Total liabilities and net assets                                     | 209,465                         | 207,282  |

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

|   | (Millions of yen)   |   |
|---|---|---|
|   | First three months of FY3/19<br>(Apr. 1, 2018 to Jun. 30, 2018) | First three months of FY3/20<br>(Apr. 1, 2019 to Jun. 30, 2019) |
| Net sales   | 41,706  | 38,761  |
| Cost of sales   | 35,127  | 32,714  |
| Gross profit  | 6,579   | 6,047   |
| Selling, general and administrative expenses                        | 4,292   | 4,317   |
| Operating profit  | 2,286   | 1,730   |
| Non-operating income  |   |   |
| Interest income   | 136   | 137   |
| Dividend income   | 410   | 387   |
| Gain on sales of investment securities                              | 465   | -   |
| Share of profit of entities accounted for using equity method       | 116   | 100   |
| Other   | 139   | 114   |
| Total non-operating income  | 1,269   | 741   |
| Non-operating expenses  |   |   |
| Interest expenses   | 20  | 21  |
| Foreign exchange losses   | 126   | 44  |
| Cost for employees transferred temporarily to overseas subsidiaries | 65  | 56  |
| Loss on valuation of derivatives                                    | -   | 403   |
| Other   | 9   | 11  |
| Total non-operating expenses  | 222   | 537   |
| Ordinary profit   | 3,333   | 1,934   |
| Extraordinary losses  |   |   |
| Loss on sales and retirement of non-current assets                  | 16  | 24  |
| Impairment loss   | 2   | 0   |
| Loss on valuation of investment securities                          | 12  | -   |
| Loss on disaster  | -   | 29  |
| Total extraordinary losses  | 30  | 55  |
| Profit before income taxes  | 3,302   | 1,879   |
| Income taxes-current  | 854   | 400   |
| Income taxes-deferred   | 161   | 154   |
| Total income taxes  | 1,016   | 555   |
| Profit  | 2,286   | 1,323   |
| Profit (loss) attributable to non-controlling interests             | 16  | (92)  |
| Profit attributable to owners of parent                             | 2,270   | 1,416   |



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

(Millions of yen)

|   | First three months of FY3/19<br>(Apr. 1, 2018 to Jun. 30, 2018) | First three months of FY3/20<br>(Apr. 1, 2019 to Jun. 30, 2019) |
|---|---|---|
| Profit  | 2,286   | 1,323   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | (188)   | (391)   |
| Foreign currency translation adjustment   | (1,606)   | 165   |
| Remeasurements of defined benefit plans, net of tax                               | 166   | 62  |
| Share of other comprehensive income of entities accounted for using equity method | (18)  | (7)   |
| Total other comprehensive income  | (1,647)   | (171)   |
| Comprehensive income  | 639   | 1,152   |
| Comprehensive income attributable to:   |   |   |
| Comprehensive income attributable to owners of parent                             | 1,273   | 1,209   |
| Comprehensive income attributable to non-controlling interests                    | (634)   | (57)  |

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

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

Not applicable.

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

Not applicable.

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

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

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

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

## I. First three months of FY3/19 (Apr. 1, 2018 to Jun. 30, 2018)

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

(Millions of yen)

|                                      | Reportable segments                |                  |                     |                            |        | Others<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Amounts<br>shown on the<br>consolidated<br>statement of<br>income<br>(Note 3) |
|--------------------------------------|------------------------------------|------------------|---------------------|----------------------------|--------|--------------------|--------|------------------------|---|
|                                      | Steel<br>Sheet-related<br>Business | Roll<br>Business | Grating<br>Business | Real<br>Estate<br>Business | Total  |                    |        |                        |   |
| Net sales                            |                                    |                  |                     |                            |        |                    |        |                        |   |
| External sales                       | 38,758                             | 800              | 792                 | 282                        | 40,633 | 1,072              | 41,706 | -                      | 41,706  |
| Inter-segment<br>sales and transfers | -                                  | -                | -                   | 110                        | 110    | 638                | 749    | (749)                  | -   |
| Total                                | 38,758                             | 800              | 792                 | 393                        | 40,744 | 1,711              | 42,455 | (749)                  | 41,706  |
| Segment profit<br>(loss)             | 2,254                              | (26)             | 1                   | 200                        | 2,430  | 132                | 2,562  | (276)                  | 2,286   |

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit (loss) includes unallocated expenses of (277) million yen and an elimination for inter-segment transactions of 0 million yen.
3. Segment profit (loss) is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

## II. First three months of FY3/20 (Apr. 1, 2019 to Jun. 30, 2019)

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

(Millions of yen)

|                                      | Reportable segments                |                  |                     |                            |        | Others<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Amounts<br>shown on the<br>consolidated<br>statement of<br>income<br>(Note 3) |
|--------------------------------------|------------------------------------|------------------|---------------------|----------------------------|--------|--------------------|--------|------------------------|---|
|                                      | Steel<br>Sheet-related<br>Business | Roll<br>Business | Grating<br>Business | Real<br>Estate<br>Business | Total  |                    |        |                        |   |
| Net sales                            |                                    |                  |                     |                            |        |                    |        |                        |   |
| External sales                       | 35,957                             | 689              | 842                 | 297                        | 37,787 | 974                | 38,761 | -                      | 38,761  |
| Inter-segment<br>sales and transfers | -                                  | -                | -                   | 110                        | 110    | 663                | 774    | (774)                  | -   |
| Total                                | 35,957                             | 689              | 842                 | 408                        | 37,897 | 1,638              | 39,535 | (774)                  | 38,761  |
| Segment profit<br>(loss)             | 1,767                              | (65)             | 12                  | 212                        | 1,927  | 98                 | 2,025  | (294)                  | 1,730   |

- Notes: 1. Others represent businesses which are not included in any of the reportable segments and mainly consist of transportation, warehouse, golf course, machinery plant, electric power (sale of solar power) and other businesses.
2. The adjustment to segment profit (loss) includes unallocated expenses of (294) million yen and an elimination for inter-segment transactions of 0 million yen.
3. Segment profit (loss) is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

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