

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2017  
(Six Months Ended September 30, 2016)**

**[Japanese GAAP]**

Company name: Chiyoda Ute Co., Ltd.

Listing: Tokyo Stock Exchange (JASDAQ)

Stock code: 5387

URL: <http://www.chiyoda-ute.co.jp>

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Scheduled date of filing of Quarterly Report:

November 9, 2016

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

Yes (for analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017  
(April 1, 2016 – September 30, 2016)**

**(1) Consolidated results of operations**

*(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2016	14,522	1.4	12	(88.8)	16	(84.5)	(26)	-
Six months ended Sep. 30, 2015	14,326	(3.2)	113	-	108	-	63	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: (32) (n.a.)

Six months ended Sep. 30, 2015: 101 (n.a.)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	(1.53)	-
Six months ended Sep. 30, 2015	3.67	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2016	34,995	12,097	34.5
As of Mar. 31, 2016	35,496	12,304	34.6

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 12,085 As of Mar. 31, 2016: 12,295

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	5.00	5.00
Fiscal year ending Mar. 31, 2017	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecast)	-	-	-	5.00	5.00

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

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)**

*(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,500	5.3	680	26.7	680	25.2	510	(45.8)	29.25

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

**\* 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 in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting 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 estimates: None

4) Restatements: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting Estimates, and Restatements” for further information on page 3 of the attachments.

(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, 2016:	17,670,000 shares	As of Mar. 31, 2016:	17,670,000 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2016:	418,600 shares	As of Mar. 31, 2016:	233,600 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	17,411,127 shares	Six months ended Sep. 30, 2015:	17,436,400 shares
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\* Information regarding the implementation of quarterly review procedures

The current quarterly financial report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act.

\* Explanation of appropriate use of earnings forecasts, and other special items

Note concerning forward-looking statements

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.” on page 3 for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the current fiscal year, the Japanese economy showed a turnaround in some sectors such as consumer spending while the economy as a whole remained at a standstill. Although the outlook for the global economy remained uncertain, it was nevertheless on a trend to recovery as a whole as seen in the U.S. and Europe where a modest recovery was continuing and in China where a pause was seen in the deceleration of its speed of the economic growth.

Japan's housing market showed a steady performance mainly in the rental house field under the lowered mortgage rate due to the Bank of Japan's policy of negative interest rates, and the new housing starts in the first half of the current fiscal year amounted to 500 thousand units (up 6.0% year on year).

In the gypsum board industry, shipments in the first half of the current fiscal year were up by 0.3% year on year to 241 million square meters, mostly at the same level year on year.

The Chiyoda Ute Group (hereinafter "the Group") has made efforts to improve its profitability through further streamlining manufacturing operations of each plant, such as conversion of dryers to increase thermal efficiency at the Chiba Plant, and radically implementing rationalization and efficiency improvement measures across the Group while increasing sales of gypsum boards and other products such as calcium silicate boards and steel furring, whereas maintenance expenses of the plant facilities increased from those planned at the beginning of the current fiscal year.

As a result, the Group has reported net sales for the first half of 14,522 million yen (up 1.4% year on year) with operating income of 12 million yen (down 88.8% year on year), ordinary income of 16 million yen (down 84.5% year on year) and loss attributable to owners of parent of 26 million yen (as compared to profit attributable to owners of parent of 63 million yen for the same period of the previous fiscal year).

The Group does not present performance by business segment because it has only a single business segment.

### (2) Explanation of Financial Position

#### 1) Balance sheet position

##### Assets

Total assets decreased 500 million yen from the end of the previous fiscal year to 34,995 million yen.

Current assets decreased 435 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 435 million yen in notes and accounts receivable-trade.

Non-current assets decreased 75 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 55 million yen in investment securities caused primarily by a decline in the fair value.

##### Liabilities

Total liabilities decreased 294 million yen from the end of the previous fiscal year to 22,897 million yen.

Current liabilities decreased 622 million yen from the end of the previous fiscal year. This was mainly due to decreases of 375 million yen and 130 million yen in short-term loans payable and income taxes payable, respectively.

Non-current liabilities increased 328 million yen from the end of the previous fiscal year. This was mainly due to an increase of 644 million yen in bonds payable and a decrease of 227 million yen in long-term loans payable.

##### Net assets

Net assets decreased 206 million yen from the end of the previous fiscal year to 12,097 million yen.

This was mainly due to a decrease of 113 million yen in retained earnings caused by the declaration of cash dividends and a loss attributable to owners of parent.

## Analysis of cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased 18 million yen from the end of the previous fiscal year to 1,510 million yen.

The cash flow components during the first half of the current fiscal year and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash provided by operating activities was 966 million yen (compared with 495 million yen provided in the same period of the previous fiscal year). The main factors leading to an increase in net cash include depreciation of 799 million yen and a decrease of 435 million yen in notes and accounts receivable-trade, which were partly offset by a decrease of 92 million yen in accrued consumption taxes.

### Cash flows from investing activities

Net cash used in investing activities was 768 million yen (compared with 926 million yen used in the same period of the previous fiscal year). The main factors include payments of 989 million yen for the purchase of property, plant and equipment mainly related to a modification of gypsum calcination facilities at the Company's Shimonoseki Plant, which was partly offset by proceeds of 282 million yen from collection of loans receivable.

### Cash flows from financing activities

Net cash used in financing activities was 179 million yen (compared with 403 million yen provided in the same period of the previous fiscal year). The main outflows were repayments of long-term loans payable of 979 million yen and a net decrease in short-term loans payable of 223 million yen, while the main inflows were proceeds from the issuance of bonds of 787 million yen and from long-term loans payable of 600 million yen.

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

There are no revisions to the consolidated earnings forecast for the fiscal year ending March 31, 2017, which was announced on May 18, 2016.

Forecasts of future performance in this document are based on assumptions judged to be valid and information available to the Company's management at the time this document was prepared. Actual results may differ materially from the forecasts for a number of reasons.

## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

### **(2) Application of Special Accounting Methods in the Preparation of the Quarterly Consolidated Financial Statements**

Not applicable.

### **(3) Changes in Accounting Policies and Accounting Estimates, and Restatements**

Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the quarterly financial statements for the first half of the current fiscal year is insignificant.

### **(4) Additional Information**

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	1,652,117	1,683,247
Notes and accounts receivable-trade	5,434,620	4,999,256
Merchandise and finished goods	1,339,710	1,360,818
Work in process	163,432	188,967
Raw materials and supplies	1,358,422	1,360,659
Other	622,121	549,947
Allowance for doubtful accounts	(74,684)	(82,227)
Total current assets	10,495,742	10,060,668
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,219,199	5,134,015
Machinery, equipment and vehicles, net	3,781,359	4,480,457
Land	10,614,529	10,614,529
Other, net	2,196,493	1,738,224
Total property, plant and equipment	21,811,582	21,967,227
Intangible assets	340,397	295,193
Investments and other assets		
Investment securities	1,360,269	1,304,502
Other	1,504,846	1,374,527
Allowance for doubtful accounts	(29,469)	(29,471)
Total investments and other assets	2,835,646	2,649,558
Total non-current assets	24,987,626	24,911,979
Deferred assets	12,770	22,827
Total assets	35,496,138	34,995,476

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,782,286	3,818,548
Short-term loans payable	6,232,918	5,857,370
Income taxes payable	194,385	63,939
Provision for bonuses	284,973	275,835
Other	2,620,460	2,476,517
Total current liabilities	13,115,023	12,492,210
Non-current liabilities		
Bonds payable	1,180,000	1,824,800
Long-term loans payable	5,364,405	5,136,879
Provision for directors' retirement benefits	164,431	170,808
Net defined benefit liability	1,243,827	1,249,696
Asset retirement obligations	129,859	131,242
Negative goodwill	7,655	6,998
Provision for loss on subsidiaries and associates	61,000	61,000
Other	1,925,907	1,824,057
Total non-current liabilities	10,077,086	10,405,482
Total liabilities	23,192,110	22,897,693
Net assets		
Shareholders' equity		
Capital stock	4,674,750	4,674,750
Capital surplus	5,475,135	5,475,135
Retained earnings	2,309,275	2,195,537
Treasury shares	(109,243)	(196,193)
Total shareholders' equity	12,349,916	12,149,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	269,094	244,767
Remeasurements of defined benefit plans	(323,673)	(308,666)
Total accumulated other comprehensive income	(54,578)	(63,899)
Non-controlling interests	8,690	12,453
Total net assets	12,304,028	12,097,783
Total liabilities and net assets	35,496,138	34,995,476



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

	(Thousands of yen)	
	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	14,326,587	14,522,467
Cost of sales	9,328,199	9,290,251
Gross profit	4,998,388	5,232,215
Selling, general and administrative expenses	4,884,736	5,219,449
Operating income	113,651	12,766
Non-operating income		
Interest income	5,998	2,345
Dividend income	19,184	22,030
Rent income	30,611	58,680
Share of profit of entities accounted for using equity method	2,542	-
Other	61,688	56,900
Total non-operating income	120,024	139,957
Non-operating expenses		
Interest expenses	64,381	60,294
Share of loss of entities accounted for using equity method	-	26,849
Other	61,053	48,849
Total non-operating expenses	125,435	135,993
Ordinary income	108,240	16,730
Extraordinary income		
Gain on sales of non-current assets	16,800	2,764
Total extraordinary income	16,800	2,764
Extraordinary losses		
Loss on sales of non-current assets	-	4
Loss on retirement of non-current assets	350	4,345
Loss on valuation of investment securities	6,000	1,010
Total extraordinary losses	6,350	5,360
Profit before income taxes	118,690	14,134
Income taxes	54,784	36,926
Profit (loss)	63,905	(22,792)
Profit attributable to non-controlling interests	-	3,763
Profit (loss) attributable to owners of parent	63,905	(26,555)

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

	(Thousands of yen)	
	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Profit (loss)	63,905	(22,792)
Other comprehensive income		
Valuation difference on available-for-sale securities	8,512	(24,327)
Remeasurements of defined benefit plans, net of tax	29,454	15,006
Total other comprehensive income	37,967	(9,321)
Comprehensive income	101,873	(32,113)
Comprehensive income attributable to:		
Owners of parent	101,873	(35,876)
Non-controlling interests	-	3,763

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	118,690	14,134
Depreciation	744,796	799,948
Increase (decrease) in allowance for doubtful accounts	(6,793)	7,545
Increase (decrease) in provision for bonuses	9,861	(9,138)
Increase (decrease) in net defined benefit liability	30,961	20,994
Increase (decrease) in provision for directors' retirement benefits	6,799	6,376
Interest and dividend income	(25,182)	(24,376)
Interest expenses	64,381	60,294
Share of (profit) loss of entities accounted for using equity method	(2,542)	26,849
Loss (gain) on sales and retirement of non-current assets	(16,450)	1,586
Loss (gain) on valuation of investment securities	6,000	1,010
Decrease (increase) in notes and accounts receivable-trade	93,000	435,364
Decrease (increase) in inventories	(51,552)	(48,878)
Increase (decrease) in notes and accounts payable-trade	(252,064)	36,261
Increase (decrease) in accrued consumption taxes	(4,618)	(92,132)
Decrease (increase) in other assets	(57,469)	(17,266)
Increase (decrease) in other liabilities	(52,212)	(50,152)
Subtotal	605,608	1,168,419
Interest and dividend income received	26,220	24,572
Interest expenses paid	(63,362)	(60,213)
Income taxes (paid) refund	(72,939)	(166,309)
Net cash provided by (used in) operating activities	495,527	966,469
Cash flows from investing activities		
Payments into time deposits	(12,240)	(12,240)
Purchase of property, plant and equipment	(784,184)	(989,425)
Proceeds from sales of property, plant and equipment	79,495	9,929
Purchase of investment securities	(138,357)	(6,796)
Payments of loans receivable	(38,244)	(52,538)
Collection of loans receivable	68,587	282,898
Other, net	(101,426)	(400)
Net cash provided by (used in) investing activities	(926,369)	(768,573)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(409,981)	(223,894)
Proceeds from long-term loans payable	1,957,592	600,000
Repayments of long-term loans payable	(896,026)	(979,179)
Proceeds from issuance of bonds	-	787,543
Redemption of bonds	(40,000)	(40,000)
Purchase of treasury shares	-	(87,123)
Cash dividends paid	(87,189)	(87,081)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,000)	-
Repayments of lease obligations	(117,084)	(149,270)
Net cash provided by (used in) financing activities	403,310	(179,006)
Net increase (decrease) in cash and cash equivalents	(27,531)	18,889
Cash and cash equivalents at beginning of period	1,507,190	1,491,421
Cash and cash equivalents at end of period	1,479,659	1,510,311

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

##### **Going Concern Assumption**

Not applicable.

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

First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)

Not applicable.

##### **Segment and Other Information**

The Group conducts its operations in a single area of business: primarily the production and sale of construction materials centered on gypsum board and ancillary operations.

As the Group has no business segments, reporting of segment information is omitted.

*This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including 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.*