

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2019
(Six Months Ended September 30, 2018)**

[Japanese GAAP]

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Stock code: 5387

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Listing: Tokyo Stock Exchange (JASDAQ)

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

Scheduled date of filing of Quarterly Report:

November 12, 2018

Scheduled date of payment of dividend:

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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, 2019
(April 1, 2018 – September 30, 2018)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2018	14,334	(6.9)	(445)	-	(403)	-	(320)	-
Six months ended Sep. 30, 2017	15,401	6.1	(145)	-	(102)	-	(112)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: (378) (n.a.)

Six months ended Sep. 30, 2017: 46 (n.a.)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	(18.57)	-
Six months ended Sep. 30, 2017	(6.50)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	35,429	12,435	35.1
As of Mar. 31, 2018	35,875	12,900	35.9

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 12,432 As of Mar. 31, 2018: 12,896

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	5.00	5.00
Fiscal year ending Mar. 31, 2019	-	0.00	-	5.00	5.00
Fiscal year ending Mar. 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,300	(1.0)	100	49.5	200	(2.1)	100	(58.2)	5.80

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: None

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

3) Changes in accounting 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, 2018:	17,670,000 shares	As of Mar. 31, 2018:	17,670,000 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2018:	418,768 shares	As of Mar. 31, 2018:	418,768 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	17,251,232 shares	Six months ended Sep. 30, 2017:	17,251,400 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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 assumptions 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Additional Information	9
Segment and Other Information	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the gradual recovery of the Japanese economy continued even though industrial production in Japan dropped briefly because of a number of natural disasters during the summer. The global economy remained strong but there are concerns about upcoming negative effects of the increasingly heated trade friction between the United States and China.

In Japan's housing market, construction activity in the rental property sector has been sluggish since the second half of 2017 mainly because of the end of an upturn in demand for these properties caused by revisions to Japan's inheritance tax system. But a recovery in residential construction activity started in April 2018, primarily for houses constructed for sale. In the first half of the current fiscal year, housing starts decreased only 1.1% year on year to 491 thousand units, indicating that a slow recovery may have started.

In the gypsum board industry, shipments slightly decreased 2.7% year on year to 239 million square meters in the first half. Shipments are expected to start recovering because of the upturn in housing starts.

Maintenance expenses are normally higher in the first half of each fiscal year than in the second half because factories take advantage of the Golden Week (early May) and Obon (mid-August) holidays to upgrade equipment and perform maintenance work. Furthermore, sales and earnings are usually lower than in the second half, which is when the volume of shipments is normally high. In addition to the seasonally high maintenance expenses and low sales, there were measures chiefly by the Chiyoda Ute Technology and Engineering Unit that were implemented as planned during the first half to improve manufacturing operations at all group companies. These actions were a response to calcium silicate board manufacturing problems at a subsidiary during the highest period of demand in the previous fiscal year.

First half performance was also affected by slow sales of gypsum boards, the Group's core product, because of the sluggish pace of housing starts in Japan since the second half of 2017. To offset the downturn in the residential sector as much as possible, group companies shifted more of their sales activities to non-residential sectors. However, these challenges as well as intense price-based competition prevented the Group from achieving the initially planned sales volume in the first half. In addition, the decline in manufacturing efficiency caused by the lower volume of shipments prevented group companies from reducing costs sufficiently. There are currently many activities under way to solve these issues that management views as structural problems.

As a result, net sales decreased 6.9% to 14,334 million yen with an operating loss of 445 million yen compared with a 145 million yen loss in the same period of the previous fiscal year, an ordinary loss of 403 million yen compared with a 102 million yen loss in the same period of the previous fiscal year, and loss attributable to owners of parent of 320 million yen compared with a 112 million yen loss in the same period of the previous fiscal year.

The Group does not provide business segment information because there is only one business segment.

(2) Explanation of Financial Position

Starting with the beginning of the first quarter of the current fiscal year, Chiyoda Ute has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons.

Assets

Total assets decreased 445 million yen from the end of the previous fiscal year to 35,429 million yen.

Current assets decreased 273 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 516 million yen in notes and accounts receivable-trade, which was partially offset by an increase of 153 million yen in merchandise and finished goods.

Non-current assets decreased 177 million yen from the end of the previous fiscal year. This was mainly due to a

decrease of 112 million yen in investment securities caused by a decline in the fair value.

Liabilities

Total liabilities increased 19 million yen from the end of the previous fiscal year to 22,994 million yen.

Current liabilities decreased 342 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 314 million yen in notes and accounts payable-trade.

Non-current liabilities increased 362 million yen from the end of the previous fiscal year. This was mainly due to an increase of 784 million yen in bonds payable, while there was a decrease of 382 million yen in long-term loans payable.

Net assets

Net assets decreased 465 million yen from the end of the previous fiscal year to 12,435 million yen.

This was mainly due to a decrease of 406 million yen in retained earnings resulting from cash dividends paid 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 57 million yen from the end of the previous fiscal year to 2,379 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 150 million yen (compared with 1,567 million yen provided in the same period of the previous fiscal year). The main factors leading to an increase in net cash include a decrease of 513 million yen in notes and accounts receivable-trade and depreciation of 721 million yen, which were partly offset by a loss before income taxes of 395 million yen and a decrease of 314 million yen in notes and accounts payable-trade.

Cash flows from investing activities

Net cash used in investing activities was 264 million yen (compared with 1,387 million yen used in the same period of the previous fiscal year). The main factors include payments of 252 million yen for the purchase of property, plant and equipment and payments of loans receivable of 93 million yen, which were partly offset by proceeds of 98 million yen from collection of loans receivable.

Cash flows from financing activities

Net cash provided by financing activities was 171 million yen (compared with 612 million yen provided in the same period of the previous fiscal year). The main inflows were proceeds from issuance of bonds of 989 million yen while the main outflows were repayments of long-term loans payable of 679 million yen and redemption of bonds of 115 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, 2019, which was announced on November 2, 2018.

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

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	2,506,453	2,573,625
Notes and accounts receivable-trade	5,574,167	5,058,167
Merchandise and finished goods	1,213,316	1,367,236
Work in process	147,967	141,169
Raw materials and supplies	1,557,158	1,501,686
Other	305,268	394,917
Allowance for doubtful accounts	(138,652)	(144,716)
Total current assets	11,165,679	10,892,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,145,623	5,026,936
Machinery, equipment and vehicles, net	3,922,805	3,813,947
Land	11,433,843	11,434,287
Other, net	1,137,313	1,140,389
Total property, plant and equipment	21,639,585	21,415,561
Intangible assets	217,604	170,117
Investments and other assets		
Investment securities	1,671,583	1,559,179
Other	1,172,507	1,380,366
Allowance for doubtful accounts	(24,862)	(26,554)
Total investments and other assets	2,819,228	2,912,991
Total non-current assets	24,676,418	24,498,670
Deferred assets	33,162	38,773
Total assets	35,875,259	35,429,532

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,944,345	4,629,618
Short-term loans payable	4,494,638	4,404,547
Income taxes payable	121,995	68,498
Provision for bonuses	301,675	278,385
Other	3,902,998	4,041,950
Total current liabilities	13,765,652	13,423,000
Non-current liabilities		
Bonds payable	1,596,800	2,381,600
Long-term loans payable	4,615,945	4,233,155
Provision for directors' retirement benefits	192,706	200,076
Provision for loss on subsidiaries and affiliates	7,000	7,000
Net defined benefit liability	1,373,070	1,368,894
Asset retirement obligations	135,450	135,450
Negative goodwill	5,027	4,370
Other	1,282,993	1,240,603
Total non-current liabilities	9,208,993	9,571,150
Total liabilities	22,974,645	22,994,151
Net assets		
Shareholders' equity		
Capital stock	4,674,750	4,674,750
Capital surplus	5,473,962	5,473,962
Retained earnings	2,804,718	2,398,094
Treasury shares	(196,284)	(196,284)
Total shareholders' equity	12,757,146	12,350,522
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	444,217	369,137
Remeasurements of defined benefit plans	(304,761)	(286,832)
Total accumulated other comprehensive income	139,455	82,304
Non-controlling interests	4,011	2,553
Total net assets	12,900,614	12,435,380
Total liabilities and net assets	35,875,259	35,429,532

(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 FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	15,401,550	14,334,043
Cost of sales	10,052,773	9,559,944
Gross profit	5,348,777	4,774,098
Selling, general and administrative expenses	5,494,110	5,220,096
Operating profit (loss)	(145,332)	(445,998)
Non-operating income		
Interest income	2,060	2,003
Dividend income	26,757	28,612
Rent income	79,350	82,491
Other	72,175	61,940
Total non-operating income	180,343	175,048
Non-operating expenses		
Interest expenses	56,097	49,176
Share of loss of entities accounted for using equity method	33,083	12,589
Rent expenses	9,642	27,605
Other	38,217	42,797
Total non-operating expenses	137,040	132,169
Ordinary profit (loss)	(102,029)	(403,119)
Extraordinary income		
Gain on sales of non-current assets	1,099	7,139
Gain on sales of investment securities	20,445	-
Total extraordinary income	21,545	7,139
Extraordinary losses		
Loss on retirement of non-current assets	1,485	0
Total extraordinary losses	1,485	0
Profit (loss) before income taxes	(81,968)	(395,979)
Income taxes	34,176	(74,153)
Profit (loss)	(116,145)	(321,825)
Profit (loss) attributable to non-controlling interests	(3,957)	(1,457)
Profit (loss) attributable to owners of parent	(112,187)	(320,367)

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

	(Thousands of yen)	
	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit (loss)	(116,145)	(321,825)
Other comprehensive income		
Valuation difference on available-for-sale securities	142,629	(75,079)
Remeasurements of defined benefit plans, net of tax	19,935	17,928
Total other comprehensive income	162,564	(57,151)
Comprehensive income	46,419	(378,977)
Comprehensive income attributable to:		
Owners of parent	50,376	(377,519)
Non-controlling interests	(3,957)	(1,457)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	(81,968)	(395,979)
Depreciation	772,483	721,257
Increase (decrease) in allowance for doubtful accounts	(4,138)	7,755
Increase (decrease) in provision for bonuses	11,612	(23,289)
Increase (decrease) in net defined benefit liability	52,963	13,752
Increase (decrease) in provision for directors' retirement benefits	7,234	7,370
Interest and dividend income	(28,817)	(30,615)
Interest expenses	56,097	49,176
Share of (profit) loss of entities accounted for using equity method	33,083	12,589
Loss (gain) on sales and retirement of non-current assets	385	(7,139)
Loss (gain) on sales and valuation of investment securities	(20,445)	-
Decrease (increase) in notes and accounts receivable-trade	(297,993)	513,829
Decrease (increase) in inventories	(75,124)	(91,650)
Increase (decrease) in notes and accounts payable-trade	854,941	(314,726)
Increase (decrease) in accrued consumption taxes	(100,190)	(8,371)
Decrease (increase) in other assets	41,942	(137,457)
Increase (decrease) in other liabilities	403,389	(57,952)
Subtotal	1,625,454	258,546
Interest and dividend income received	29,039	29,981
Interest expenses paid	(55,970)	(48,921)
Income taxes (paid) refund	(31,348)	(88,994)
Net cash provided by (used in) operating activities	1,567,175	150,613
Cash flows from investing activities		
Payments into time deposits	(16,120)	(10,000)
Proceeds from withdrawal of time deposits	6,122	-
Purchase of property, plant and equipment	(1,500,054)	(252,773)
Proceeds from sales of property, plant and equipment	1,100	8,510
Purchase of investment securities	(7,016)	(7,289)
Proceeds from sales of investment securities	36,000	-
Payments of loans receivable	(5,940)	(93,510)
Collection of loans receivable	89,030	98,474
Other, net	9,625	(8,150)
Net cash provided by (used in) investing activities	(1,387,253)	(264,738)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	272,738	106,205
Proceeds from long-term loans payable	1,100,000	100,000
Repayments of long-term loans payable	(812,285)	(679,086)
Proceeds from issuance of bonds	390,967	989,545
Redemption of bonds	(97,600)	(115,200)
Cash dividends paid	(86,000)	(85,891)
Purchase of treasury shares of subsidiaries	(15,840)	-
Repayments of lease obligations	(139,702)	(144,274)
Net cash provided by (used in) financing activities	612,277	171,297
Net increase (decrease) in cash and cash equivalents	792,199	57,172
Cash and cash equivalents at beginning of period	1,737,141	2,322,242
Cash and cash equivalents at end of period	2,529,340	2,379,414

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

Not applicable.

Additional Information

Chiyoda Ute has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

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.