

Flash Report Consolidated Basis
Results for Fiscal 2016
(April 1, 2016-March 31, 2017)
<under Japanese GAAP>

April 27, 2017

Company name: OSAKA STEEL CO., LTD.
Stock listing: Tokyo, 1st section
Code number: 5449
URL: <http://www.osaka-seitetsu.co.jp>
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(Figures of less than ¥1 million have been omitted.)

1. Consolidated Financial and Operating Results for Fiscal 2016

(April 1, 2016-March 31, 2017)

(1) Consolidated Operating Results

(Percentage figures represent changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2016	62,135	13.6	5,955	(26.5)	5,931	(28.4)	2,769	(73.2)
Fiscal 2015	54,677	(19.2)	8,100	(10.8)	8,284	(9.4)	10,350	66.5

(Reference) Comprehensive income
 Fiscal 2016 ¥ 2,019 million (71.2%)
 Fiscal 2015 ¥ 10,152 million 52.6%

	Earnings per share	Earnings per share after full dilution	Return on equity	Return on assets	Return on sales
	Yen	Yen	%	%	%
Fiscal 2016	71.16	—	2.0	3.6	9.6
Fiscal 2015	265.92	—	7.8	5.5	14.8

(Reference) Equity in profit of unconsolidated subsidiaries and associates:
 Fiscal 2016 ¥— million
 Fiscal 2015 ¥— million

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	170,203	141,446	81.3	3,554.29
Fiscal 2015	156,632	141,085	87.5	3,522.47

(Reference) Shareholders' equity:
 Fiscal 2016 ¥138,338 million
 Fiscal 2015 ¥137,102 million

(3) Consolidated Statements of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2016	4,924	(11,610)	5,774	58,938
Fiscal 2015	9,864	(7,125)	(867)	59,961

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	12.50	—	37.50	50.00
Fiscal 2016	—	12.50	—	17.50	30.00
Fiscal 2017(Forecasts)	—	—	—	—	—

	Cash dividends	Ratio of cash dividends to net income	Ratio of cash dividends to net assets
	Millions of yen	%	%
Fiscal 2015	1,946	18.8	1.4
Fiscal 2016	1,167	42.2	0.8
Fiscal 2017(Forecasts)	—	—	—

(Note) The dividend forecasts of end of second quarter and fiscal year for fiscal 2016 are not decided.

3. Consolidated Financial Forecasts for Fiscal 2017(April 1, 2017-March 31, 2018)

(Percentage figures represent changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half of Fiscal 2017	37,000	34.7	3,400	29.4	3,400	29.2	2,300	167.7	59.09
Fiscal 2017	81,000	30.4	7,500	25.9	7,500	26.5	5,200	87.7	133.60

(Reference) Summary of Non-Consolidated Financial and Operating Results
Non-Consolidated Financial and Operating Results for Fiscal 2016
(April 1, 2016-March 31, 2017)

(1) Non-Consolidated Operating Results

(Percentage figures represent changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2016	45,147	(7.6)	4,669	(38.9)	4,543	(42.5)	2,023	(66.9)
Fiscal 2015	48,847	(19.4)	7,637	(8.3)	7,908	(6.1)	6,121	5.5
	Earnings per share		Earnings per share after full dilution					
	Yen		Yen					
Fiscal 2016	51.98		—					
Fiscal 2015	157.27		—					

(2) Non-Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	152,385	119,516	78.4	3,070.70
Fiscal 2015	148,432	119,259	80.3	3,064.05

(Reference) Shareholders' equity: Fiscal 2016 ¥119,516 million
Fiscal 2015 ¥119,259 million

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	March 31, 2016	March 31, 2017
Assets		
Current assets		
Cash and deposits	2,469	1,304
Notes and accounts receivable - trade	10,948	12,822
Finished goods	6,197	6,512
Work in process	192	294
Raw materials and supplies	3,799	4,783
Deferred tax assets	659	526
Accounts receivable - other	7,634	8,046
Short-term loans receivable from subsidiaries and associates	10,000	10,000
Deposits paid	57,491	57,633
Other	547	174
Allowance for doubtful accounts	(1)	(2)
Total current assets	<u>99,939</u>	<u>102,096</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,416	7,688
Machinery, equipment and vehicles, net	10,185	10,977
Tools, furniture and fixtures, net	1,101	1,187
Land	33,857	34,035
Construction in progress	4,023	11,622
Total property, plant and equipment	<u>54,584</u>	<u>65,511</u>
Intangible assets		
Other	50	44
Total intangible assets	<u>50</u>	<u>44</u>
Investments and other assets		
Investment securities	1,569	1,833
Long-term loans receivable	1	2
Net defined benefit asset	78	73
Deferred tax assets	213	176
Other	217	487
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	<u>2,057</u>	<u>2,550</u>
Total non-current assets	<u>56,692</u>	<u>68,106</u>
Total assets	<u>156,632</u>	<u>170,203</u>

Millions of yen

	March 31, 2016	March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,167	7,300
Current portion of long-term loans payable	119	119
Accounts payable - other	3,547	5,583
Income taxes payable	473	834
Provision for repairs	452	400
Provision for loss on disaster	—	244
Other	1,257	828
Total current liabilities	<u>11,017</u>	<u>15,310</u>
Non-current liabilities		
Long-term loans payable	253	9,103
Deferred tax liabilities	1,886	1,996
Net defined benefit liability	1,545	1,491
Provision for business structure improvement	573	521
Provision for loss on dissolution of the employee's pension fund	70	70
Other	200	262
Total non-current liabilities	<u>4,529</u>	<u>13,446</u>
Total liabilities	<u>15,546</u>	<u>28,756</u>
Net assets		
Shareholders' equity		
Capital stock	8,769	8,769
Capital surplus	10,648	10,904
Retained earnings	121,516	122,340
Treasury shares	(4,533)	(4,534)
Total shareholders' equity	<u>136,401</u>	<u>137,479</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	377	561
Deferred gains or losses on hedges	—	144
Foreign currency translation adjustment	497	249
Remeasurements of defined benefit plans	(173)	(95)
Total accumulated other comprehensive income	<u>701</u>	<u>859</u>
Non-controlling interests	<u>3,983</u>	<u>3,107</u>
Total net assets	<u>141,085</u>	<u>141,446</u>
Total liabilities and net assets	<u>156,632</u>	<u>170,203</u>

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

	Millions of yen	
	Fiscal 2015	Fiscal 2016
Net sales	54,677	62,135
Cost of sales	41,852	50,026
Gross profit	<u>12,825</u>	<u>12,109</u>
Selling, general and administrative expenses		
Haulage expenses	2,253	2,772
Salaries and bonuses	898	1,028
Retirement benefit expenses	40	41
Depreciation	28	103
Other	1,503	2,207
Total selling, general and administrative expenses	<u>4,724</u>	<u>6,153</u>
Operating profit	<u>8,100</u>	<u>5,955</u>
Non-operating income		
Interest income	194	144
Dividend income	28	30
Rent income on non-current assets	148	150
Other	63	89
Total non-operating income	<u>435</u>	<u>414</u>
Non-operating expenses		
Interest expenses	—	1
Loss on retirement of non-current assets	113	227
Taxes and dues	19	50
Provision for loss on dissolution of the employee's pension fund	70	—
Foreign exchange losses	29	12
Environmental expenses	—	59
Other	18	86
Total non-operating expenses	<u>251</u>	<u>438</u>
Ordinary profit	<u>8,284</u>	<u>5,931</u>
Extraordinary income		
Gain on bargain purchase	3,575	—
Gain on liquidation of subsidiaries and associates	253	—
Total extraordinary income	<u>3,828</u>	<u>—</u>
Extraordinary losses		
Loss on disaster	—	1,640
Business structure improvement expenses	1,201	—
Total extraordinary losses	<u>1,201</u>	<u>1,640</u>
Profit before income taxes	<u>10,911</u>	<u>4,290</u>
Income taxes - current	1,027	1,400
Income taxes - deferred	(424)	102
Total income taxes	<u>603</u>	<u>1,503</u>
Profit	<u>10,308</u>	<u>2,787</u>
Profit (loss) attributable to non-controlling interests	(41)	17
Profit attributable to owners of parent	<u>10,350</u>	<u>2,769</u>

Consolidated Statements of Comprehensive Income

Millions of yen

	Fiscal 2015	Fiscal 2016
Profit	10,308	2,787
Other comprehensive income		
Valuation difference on available-for-sale securities	(188)	183
Deferred gains or losses on hedges	—	180
Foreign currency translation adjustment	(6)	(310)
Remeasurements of defined benefit plans, net of tax	38	78
Total other comprehensive income	<u>(156)</u>	<u>132</u>
Comprehensive income	<u>10,152</u>	<u>2,919</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,195	2,927
Comprehensive income attributable to non-controlling interests	(43)	(8)

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2015 Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,769	10,648	112,450	(4,532)	127,336
Changes of items during period					
Dividends of surplus			(1,362)		(1,362)
Profit attributable to owners of parent			10,350		10,350
Purchase of treasury shares				(1)	(1)
Change of scope of consolidation			77		77
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	9,065	(1)	9,064
Balance at end of current period	8,769	10,648	121,516	(4,533)	136,401

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	565	502	(211)	856	1,144	129,337
Changes of items during period						
Dividends of surplus						(1,362)
Profit attributable to owners of parent						10,350
Purchase of treasury shares						(1)
Change of scope of consolidation						77
Net changes of items other than shareholders' equity	(188)	(4)	38	(154)	2,838	2,683
Total changes of items during period	(188)	(4)	38	(154)	2,838	11,748
Balance at end of current period	377	497	(173)	701	3,983	141,085

Fiscal 2016 Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,769	10,648	121,516	(4,533)	136,401
Changes of items during period					
Dividends of surplus			(1,946)		(1,946)
Profit attributable to owners of parent			2,769		2,769
Purchase of treasury shares				(1)	(1)
Change in ownership interest of parent due to transactions with non-controlling interests		255			255
Net changes of items other than shareholders' equity					
Total changes of items during period	—	255	823	(1)	1,078
Balance at end of current period	8,769	10,904	122,340	(4,534)	137,479

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	377	—	497	(173)	701	3,983	141,085
Changes of items during period							
Dividends of surplus							(1,946)
Profit attributable to owners of parent							2,769
Purchase of treasury shares							(1)
Change in ownership interest of parent due to transactions with non-controlling interests							255
Net changes of items other than shareholders' equity	183	144	(248)	78	158	(875)	(717)
Total changes of items during period	183	144	(248)	78	158	(875)	360
Balance at end of current period	561	144	249	(95)	859	3,107	141,446

(4) Consolidated Statements of Cash Flows

Millions of yen

	Fiscal 2015	Fiscal 2016
Cash flows from operating activities		
Profit before income taxes	10,911	4,290
Depreciation	2,400	3,181
Gain on bargain purchase	(3,575)	—
Gain on liquidation of subsidiaries and associates	(253)	—
Business structure improvement expenses	1,201	—
Increase (decrease) in allowance for doubtful accounts	(1)	1
Increase (decrease) in provision for repairs	(120)	(52)
Increase (decrease) in provision for loss on dissolution of the employees' pension fund	70	—
Increase (decrease) in provision for business structure improvement	—	(52)
Increase (decrease) in provision for loss on disaster	—	244
Interest and dividend income	(223)	(174)
Interest expenses	—	1
Loss on retirement of non-current assets	113	227
Loss (gain) on sales of non-current assets	(0)	(12)
Loss (gain) on sales of investment securities	(32)	(0)
Decrease (increase) in notes and accounts receivable - trade	3,162	(1,874)
Decrease (increase) in inventories	1,930	(1,382)
Decrease (increase) in accounts receivable - other	691	(714)
Increase (decrease) in notes and accounts payable - trade	(1,751)	2,127
Increase (decrease) in net defined benefit liability	(174)	(53)
Decrease (increase) in net defined benefit asset	5	5
Other, net	(676)	(193)
Subtotal	<u>13,677</u>	<u>5,569</u>
Interest and dividend income received	222	175
Interest expenses paid	—	(1)
Income taxes paid	(4,035)	(818)
Net cash provided by (used in) operating activities	<u>9,864</u>	<u>4,924</u>
Cash flows from investing activities		
Proceeds from sales of non-current assets	0	36
Purchase of non-current assets	(3,240)	(12,115)
Proceeds from sales of investment securities	46	0
Proceeds from redemption of securities	—	500
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,933)	—
Collection of loans receivable from subsidiaries and affiliates	10,000	10,000
Payments of loans receivable from subsidiaries and associates	(10,000)	(10,000)
Other proceeds	1	44
Other payments	(0)	(76)
Net cash provided by (used in) investing activities	<u>(7,125)</u>	<u>(11,610)</u>
Cash flows from financing activities		
Proceeds from long-term loans payable	—	8,453
Repayments of long-term loans payable	—	(119)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(1,362)	(1,946)
Proceeds from share issuance to non-controlling shareholders	496	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(611)
Net cash provided by (used in) financing activities	<u>(867)</u>	<u>5,774</u>
Effect of exchange rate change on cash and cash equivalents	(1)	(111)
Net increase (decrease) in cash and cash equivalents	<u>1,870</u>	<u>(1,022)</u>
Cash and cash equivalents at beginning of period	<u>58,090</u>	<u>59,961</u>
Cash and cash equivalents at end of period	<u>59,961</u>	<u>58,938</u>