

To Whom It May Concern,

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**Regarding “Fiscal 2020 Consolidated Medium-Term Plan – Further Progress”**

Ever since its founding in 1978 through a merger of two electric furnace manufacturers, the OSAKA STEEL Group has strived to solidify its business foundation by diligently fostering its competitiveness and to respond to changes in the business environment while steadily expanding its business in Japan and, in recent years, overseas as well, and this year marks the Group’s 40th anniversary.

While the Group is currently supported by a robust domestic market environment, no major growth is expected ahead in domestic demand, and there are concerns that the environment surrounding the common steel electric furnace industry will become increasingly severe due to factors such as rising raw material and energy prices, growing transportation costs, and the difficulty in stably securing personnel owing to the aging population and declining birthrates.

Meanwhile, outside Japan, steel demand in Southeast Asia now exceeds that of Japan and is expected to rise further led by strong growth in infrastructure demand.

In the face of these structural changes to the environment, we have formulated the “Fiscal 2020 Consolidated Medium-Term Plan” to leverage the stable business foundation that the Group has built up, while actively taking on various issues and promoting the reinforcement of the business structure and growth strategies aimed at achieving “further progress.”

The main contents of the plan are outlined below.

**Fiscal 2020 Consolidated Medium-Term Plan – Further Progress**

I. Basic policy and key measures

Focusing on “people and equipment,” we will drive forward with the following measures in order to further expand our advantages offered in the form of advanced manufacturing technologies and stable product quality, product differentiation, and compelling cost competitiveness cultivated over the years, so that we continue to be the industry’s top class company in the Asian market in the field of steel bars,

centered mainly on general shaped steel.

1. Co-existence with society through strict compliance and contribution to a recycling-oriented society through iron recycling

We will work to earn the unwavering trust of our customers and society through thorough quality management and other compliance measures.

Moreover, as an electric furnace manufacturer, we will promote efficient iron resource recycling processes and contribute to environmental conservation and the realization of a recycling-oriented society through the reduction of energy and resource consumption, in order to further enhance co-existence with society.

2. Promotion of growth strategy—Steady promotion of overseas business (KOS), etc.

Note) KOS = PT. KRAKATAU OSAKA STEEL

Through our overseas subsidiary KOS and our exports to Asia, we will capture the expanding demand for steel materials used in power transmission towers and other infrastructure in Indonesia and its neighboring countries to promote our growth strategy.

In particular, KOS offers high productivity, high quality, high product appeal, and quick deliveries as it has the only combined mill (for producing medium/small steel and deformed bars) in Indonesia. It will use these advantages and leverage its superior position provided by the stable supply of quality steel billets from the OSAKA STEEL Group to create a production and sales system to handle 500,000 tons annually by the end of fiscal 2020, thereby establishing a stable business foundation.

3. Further improvements in quality and product appeal—Wider lineup of “number one” and “one-of-a-kind” products

We will work to further improve our technologies for achieving high built-in quality, develop new products and high-performance products that meet customer needs, augment the product appeal of elevator guide rails (EGs) which has the number one share of the market in Japan, steel tower materials and other products, expand orders for products in which OSAKA STEEL is specifically named as the supplier, and cultivate new markets not only in Japan but overseas as well.

4. Creation of an efficient production and logistics system for the Group’s domestic business and promotion of energy and cost saving measures

We will leverage the Group’s competitiveness and advantages, as well as the geographic locations, features and strengths of our production sites in the Kanto, Kansai, and Kyushu regions, to disperse risks and achieve optimized production and coordination (synergy) across the entire Group, including Tokyo Kohtetsu Co., Ltd. and NIHON STEEL Co., Ltd., and create a more efficient production and logistics system.

Continuing from the energy saving measures of the past five years (in which a 20% reduction in energy usage was achieved between fiscal 2011 and fiscal 2016), we will promote thorough energy saving measures and productivity improvement measures, striving to further fortify our cost competitiveness which is already one of the best in the industry.

5. Promotion of infrastructure improvements to ensure business sustainability

Focusing on actual sites and real products, we will resolutely promote various activities aimed at enabling sustainable business development, such as measures for securing and training personnel and transferring skills, the “creation of bright, enjoyable workplaces” through work style reforms, the promotion of work-life balance, and the steady implementation of safety, environmental, and disaster prevention measures.

II. Management plan (numerical targets)

Consolidated basis

	Fiscal 2016 results	Fiscal 2017 forecast	Fiscal 2020 plan
Net sales (overseas ratio* <sup>1</sup> )	¥62.1 billion (15%)	¥80.0 billion (22%)	¥100.0 billion (37%)
Steel material shipping volume	950,000 tons	1,100,000 tons	1,500,000 tons
Ordinary profit ROS	¥5.9 billion 10%	¥6.5 billion 8%	¥10.0 billion 10%
Dividend payout ratio	42% * <sup>2</sup>	30%	Target of approximately 30%

\*1 Overseas ratio: Percentage of total Group net sales accounted for by KOS + net export sales from Japan

\*2 Dividend payout ratio was 30% in fiscal 2016 excluding extraordinary loss on disaster (Kumamoto Earthquake)