

Flash Report Consolidated Basis
Results for the First Half of Fiscal 2018
(April 1, 2018-September 30, 2018)
< under Japanese GAAP >

October 31, 2018

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 the First Half of Fiscal 2018
(April 1, 2018- September 30, 2018)

(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	%
First half of Fiscal 2018	44,080	23.4	3,437	0.9	3,299	(2.4)	1,787	(17.3)
First half of Fiscal 2017	35,709	30.0	3,408	29.7	3,380	28.4	2,162	151.7

(Reference) Comprehensive income: First half of Fiscal 2018 ¥1,557 million (18.2) %
First half of Fiscal 2017 ¥1,904 million — %

	Earnings per share	Earnings per share after full dilution
	Yen	Yen
First half of Fiscal 2018	45.93	—
First half of Fiscal 2017	55.56	—

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	%
First half of Fiscal 2018	197,738	145,004	72.0
Fiscal 2017	194,130	144,286	72.9

(Reference) Shareholders' equity: First half of Fiscal 2018 ¥142,392 million
Fiscal 2017 ¥141,491 million

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 2017	—	12.50	—	21.00	33.50
Fiscal 2018	—	17.00			
Fiscal 2018(Forecasts)			—	—	—

(Note) Whether the dividend forecasts under review have been revised : No

The dividend forecasts of end of fiscal year for fiscal 2018 are not decided.

3. Consolidated Financial Forecasts for Fiscal 2018(April 1, 2018-March 31, 2019)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2018	95,000	17.1	6,300	(8.3)	6,000	(10.5)	3,500	(18.9)	89.92

(Note) Whether the consolidated financial forecasts for fiscal 2018 under review have been revised : Yes

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Millions of yen

	March 31, 2018	September 30, 2018
Assets		
Current assets		
Cash and deposits	3,948	4,537
Notes and accounts receivable - trade	20,233	20,309
Finished goods	13,050	16,245
Work in process	484	461
Raw materials and supplies	5,807	5,836
Accounts receivable - other	11,831	11,481
Short-term loans receivable from subsidiaries and associates	10,000	10,000
Deposits paid	56,650	56,288
Other	119	128
Allowance for doubtful accounts	(2)	(2)
Total current assets	<u>122,123</u>	<u>125,286</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,058	8,159
Machinery, equipment and vehicles, net	22,118	22,075
Tools, furniture and fixtures, net	1,767	1,784
Land	35,660	35,583
Construction in progress	1,285	1,200
Total property, plant and equipment	<u>68,890</u>	<u>68,802</u>
Intangible assets		
Other	230	191
Total intangible assets	<u>230</u>	<u>191</u>
Investments and other assets		
Investment securities	2,155	2,037
Long-term loans receivable	1	1
Net defined benefit asset	89	89
Deferred tax assets	272	439
Other	389	889
Allowance for doubtful accounts	(22)	—
Total investments and other assets	<u>2,885</u>	<u>3,457</u>
Total non-current assets	<u>72,006</u>	<u>72,451</u>
Total assets	<u>194,130</u>	<u>197,738</u>

Millions of yen

	March 31, 2018	September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,831	14,834
Short-term loans payable	8,588	12,159
Current portion of long-term loans payable	80	59
Accounts payable - other	5,103	5,362
Income taxes payable	2,153	1,331
Provision for repairs	418	383
Provision for loss on disaster	212	384
Other	1,322	1,185
Total current liabilities	<u>32,710</u>	<u>35,699</u>
Non-current liabilities		
Long-term loans payable	13,048	12,735
Deferred tax liabilities	1,525	1,648
Net defined benefit liability	1,643	1,727
Provision for business structure improvement	518	517
Provision for loss on dissolution of the employee's pension fund	70	70
Other	327	334
Total non-current liabilities	<u>17,133</u>	<u>17,033</u>
Total liabilities	<u>49,843</u>	<u>52,733</u>
Net assets		
Shareholders' equity		
Capital stock	8,769	8,769
Capital surplus	10,904	10,904
Retained earnings	125,490	126,461
Treasury shares	(4,535)	(4,535)
Total shareholders' equity	<u>140,629</u>	<u>141,599</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	782	700
Deferred gains or losses on hedges	108	212
Foreign currency translation adjustment	63	(44)
Remeasurements of defined benefit plans	(91)	(76)
Total accumulated other comprehensive income	<u>862</u>	<u>792</u>
Non-controlling interests	2,795	2,612
Total net assets	<u>144,286</u>	<u>145,004</u>
Total liabilities and net assets	<u>194,130</u>	<u>197,738</u>

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

Quarterly Consolidated Statements of Operations

	First half of fiscal 2017	Millions of yen First half of fiscal 2018
Net sales	35,709	44,080
Cost of sales	29,128	37,188
Gross profit	<u>6,581</u>	<u>6,891</u>
Selling, general and administrative expenses		
Haulage expenses	1,503	1,720
Salaries and bonuses	549	565
Retirement benefit expenses	23	24
Depreciation	46	49
Other	1,050	1,094
Total selling, general and administrative expenses	<u>3,173</u>	<u>3,454</u>
Operating profit	<u>3,408</u>	<u>3,437</u>
Non-operating income		
Interest income	70	75
Dividend income	18	21
Rent income on non-current assets	117	206
Other	63	74
Total non-operating income	<u>270</u>	<u>378</u>
Non-operating expenses		
Interest expenses	106	200
Loss on retirement of non-current assets	96	80
Taxes and dues	55	39
Foreign exchange losses	3	156
Other	36	39
Total non-operating expenses	<u>298</u>	<u>516</u>
Ordinary profit	<u>3,380</u>	<u>3,299</u>
Extraordinary losses		
Loss on disaster	—	458
Total extraordinary losses	<u>—</u>	<u>458</u>
Profit before income taxes	<u>3,380</u>	<u>2,840</u>
Income taxes - current	1,442	1,270
Income taxes - deferred	(56)	(57)
Total income taxes	<u>1,385</u>	<u>1,212</u>
Profit	<u>1,994</u>	<u>1,627</u>
Loss attributable to non-controlling interests	<u>(168)</u>	<u>(160)</u>
Profit attributable to owners of parent	<u>2,162</u>	<u>1,787</u>

Quarterly Consolidated Statements of Comprehensive Income

Millions of yen

	First half of fiscal 2017	First half of fiscal 2018
Profit	1,994	1,627
Other comprehensive income		
Valuation difference on available-for-sale securities	199	(81)
Deferred gains or losses on hedges	(26)	129
Foreign currency translation adjustment	(277)	(134)
Remeasurements of defined benefit plans, net of tax	14	15
Total other comprehensive income	<u>(89)</u>	<u>(70)</u>
Comprehensive income	<u>1,904</u>	<u>1,557</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,133	1,718
Comprehensive income attributable to non-controlling interests	(228)	(160)

(3) Consolidated Statements of Cash Flows

Millions of yen

	First half of fiscal 2017	First half of fiscal 2018
Cash flows from operating activities		
Profit before income taxes	3,380	2,840
Depreciation	1,870	1,945
Increase (decrease) in allowance for doubtful accounts	0	(22)
Increase (decrease) in provision for repairs	(13)	(35)
Increase (decrease) in provision for business structure improvement	(3)	(1)
Increase (decrease) in provision for loss on disaster	(22)	172
Interest and dividend income	(89)	(96)
Interest expenses	106	200
Loss on retirement of non-current assets	96	80
Loss (gain) on sales of non-current assets	(1)	(4)
Decrease (increase) in notes and accounts receivable - trade	(2,390)	(130)
Decrease (increase) in inventories	(2,733)	(3,284)
Decrease (increase) in accounts receivable - other	(2,469)	317
Increase (decrease) in notes and accounts payable - trade	2,365	87
Increase (decrease) in net defined benefit liability	64	85
Other, net	542	(466)
Subtotal	703	1,687
Interest and dividend income received	89	96
Interest expenses paid	(95)	(180)
Income taxes paid	(760)	(2,065)
Net cash provided by (used in) operating activities	(63)	(461)
Cash flows from investing activities		
Proceeds from sales of non-current assets	1	5
Purchase of non-current assets	(6,770)	(2,025)
Purchase of investment securities	(2)	—
Other proceeds	34	0
Other payments	(8)	(31)
Net cash provided by (used in) investing activities	(6,744)	(2,051)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,822	3,702
Proceeds from long-term loans payable	4,289	—
Repayments of long-term loans payable	(59)	(51)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(681)	(817)
Dividends paid to non-controlling interests	(20)	(22)
Net cash provided by (used in) financing activities	6,350	2,812
Effect of exchange rate change on cash and cash equivalents	(36)	(70)
Net increase (decrease) in cash and cash equivalents	(493)	227
Cash and cash equivalents at beginning of period	58,938	60,598
Cash and cash equivalents at end of period	58,444	60,826