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Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2018 (Japanese GAAP)



May 10, 2018
Stock Exchange: Tokyo

Listed company name: **NIPPON STEEL & SUMIKIN BUSSAN CORPORATION**
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Scheduled ordinary general meeting of shareholders: June 28, 2018
Start of cash dividend payments: June 29, 2018
Securities report to be submitted: June 28, 2018
Supplementary materials: Yes (Japanese only)
IR conference: Yes (for institutional investors and analysts; Japanese only)

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(%: change from the same period of the previous 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	%
FYE March 31, 2018	2,062,316	12.0	32,314	4.8	35,188	13.8	21,726	19.1
FYE March 31, 2017	1,841,353	(4.6)	30,832	10.6	30,915	6.5	18,238	5.2

Note: Comprehensive income
FYE March 31, 2018 ¥28,018 million (29.9%)
FYE March 31, 2017 ¥21,562 million (81.7%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
FYE March 31, 2018	702.86	—	10.8	4.8	1.6
FYE March 31, 2017	589.96	—	10.0	4.6	1.7

Reference: Shares of profit/loss of entities accounted for using equity method
FYE March 31, 2018 ¥3,205 million
FYE March 31, 2017 ¥1,220 million

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the earnings per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	780,148	227,968	27.0	6,815.75
As of March 31, 2017	673,078	206,187	28.2	6,143.38

Reference: Equity capital

As of March 31, 2018 ¥210,675 million

As of March 31, 2017 ¥189,906 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2018	(29,528)	(8,842)	44,064	27,879
As of March 31, 2017	22,282	(4,043)	(14,788)	21,889

2. Dividends

	Annual dividends per share					Dividends paid (total)	Payout ratio (consolidated)	Dividends on equity ratio (consolidated)
	1Q	2Q	3Q	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 31, 2017	—	7.50	—	105.00	—	5,564	30.5	3.1
FYE March 31, 2018	—	90.00	—	120.00	210.00	6,491	29.9	3.2
FYE March 31, 2019 (Est.)	—	110.00	—	110.00	220.00		30.2	

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the field for total annual dividends per share for the fiscal year ended March 31, 2017 displays a hyphen (-). When the share consolidation is counted, the dividends per share for the second quarter-end of the fiscal year ended March 31, 2017 are ¥75.00 and total annual dividends are ¥180.00.

**3. Projected Consolidated Results for Fiscal Year Ending March 31, 2019
(April 1, 2018 to March 31, 2019)**

(%: change from the same period of the previous 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
Full fiscal year	2,500,000	21.2	38,000	17.6	38,000	8.0	23,500	8.2	728.45

* Notes

(1) Material changes in consolidated subsidiaries during period (changes in specific subsidiaries resulting in changes in scope of consolidation): None

(2) Changes of accounting policies, changes of accounting estimates and retrospective restatements

i. Changes in accounting policies resulting from changes in accounting standards, etc.: None

ii. Other accounting policy changes: None

iii. Changes in accounting estimates: None

iv. Restatements: None

(3) Number of shares outstanding (common shares)

i. Number of shares outstanding at the end of the period (including treasury shares)

As of March 31, 2018 30,957,800 shares

As of March 31, 2017 30,957,800 shares

ii. Number of treasury shares at the end of the period

As of March 31, 2018 47,663 shares

As of March 31, 2017 45,368 shares

iii. Average number of shares during the period

FYE March 31, 2018 30,911,213 shares

FYE March 31, 2017 30,913,786 shares

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the number of shares outstanding at the end of the period, number of treasury shares at the end of the period and average number of shares during the period have been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

(Reference) Overview of Non-consolidated Financial Results

**Non-consolidated Results for Fiscal Year Ended March 31, 2018
(April 1, 2017 to March 31, 2018)**

(1) Non-consolidated Operating Results (%: change from the same period of the previous year)

	Net sales		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2018	1,768,247	11.5	20,659	(4.4)	13,695	(4.4)
FYE March 31, 2017	1,586,045	(4.6)	21,620	(1.5)	14,324	1.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FYE March 31, 2018	443.02	—	—	—
FYE March 31, 2017	463.32	—	—	—

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the earnings per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	606,759	151,453	25.0	4,899.31
As of March 31, 2017	521,030	140,829	27.0	4,555.31

Reference: Equity capital

As of March 31, 2018 ¥151,453 million

As of March 31, 2017 ¥140,829 million

*Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

*Explanation for the proper use of earnings projections, and other special matters

(Caution on description of future events, etc.)

The preceding projections are based on information available at the time of the publication of these materials, and are not intended as pledges on the part of the Company that the said projections will be achieved. Actual results may differ materially from projections due to various factors that may occur in the future. For the assumptions on which these earnings projections were based, see “1. Overview of Operating Results and Others, (1) Overview of Operating Results for the Fiscal Year” on page 2 of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of May 10, 2018, and they were published on the Group’s website on the same date.

(How to acquire materials for briefing session)

The Company has scheduled a briefing session for institutional investors and analysts on May 24, 2018. Soon after the session is over, the presentation materials distributed during the event will be posted on the Company’s website (Japanese only).

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1. Overview of Operating Results and Others

(1) Outline of Operating Results for the Fiscal Year

A. Overview of Operating Results for the Fiscal Year

The world economy during the fiscal year under review generally continued on a path of modest growth. The U.S. economy continued robust recovery, and European countries maintained a trend of modest recovery. The Chinese government's investments in infrastructure helped spur continued growth in the nation's economy, while emerging countries continued to exhibit visible signs of economic recovery.

As for the Japanese economy, an upturn in exports following worldwide economic growth, in conjunction with increases in consumer spending and corporate capital investment, resulted in the economy sustaining its moderate recovery trend on the whole.

The Company's consolidated earnings, as compared with the previous period, were as follows: Net sales were ¥2,062.3 billion, up ¥220.9 billion (12.0%). Operating profit was ¥32.3 billion, up ¥1.4 billion (4.8%) and ordinary profit was ¥35.1 billion, up ¥4.2 billion (13.8%). Profit attributable to owners of parent was ¥21.7 billion, up ¥3.4 billion (19.1%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, domestic steel demand for manufacturing and construction sectors remained high, and overseas steel demand also maintained generally a positive outlook, backed by worldwide economic growth. In terms of the market conditions for steel, overseas market conditions rose due to the impact of reduced production brought on by the curtailing of excess capacity and the environmental issues in China. While the domestic market was impacted by violent fluctuations in steel raw materials, it continued to grow amid firming demand and supply environment, particularly for high-end steel.

The Company carried on initiatives from the previous term set to enhance sales capabilities both in and outside Japan. In steel service center business, NSSB COIL CENTER CO., LTD., a subsidiary of the Company, was relocated in order to enhance the competitive strength through the development of an efficient production framework. Further, in China we completed the integration of two steel service centers located in southern China.

With regard to overseas activities, we set out to strengthen ties with QH PLUS CORPORATION, a major local distributor and processing company of construction materials and accessories in Vietnam in order to capture demand in the steel building materials market in Vietnam, an area that has seen significant growth. We established a local subsidiary, Vienna Branch, Austria in an aim to expand the presence of our steel business in the Central and Eastern European region where further growth is expected for the future.

Net sales in the Steel segment amounted to ¥1,674.9 billion, up ¥226.5 billion (15.6%) over the previous period, backed largely by improvements in unit sale prices, and ordinary profit was ¥25.3 billion, up ¥5.7 billion (29.2%), partly supported by an improvement in earnings among group companies, in addition to improvements in unit sale prices.

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure segment, the Company develops a broad range of business, including the business related to functional materials such as aluminum, copper and carbon fiber, industrial and railway machinery, headrest parts and other automobile parts, and industrial park operating and sales.

With regard to aluminum products, we sought to respond to vigorous demand for semiconductors, in addition to capturing the shift in demand towards multi-materials for automobiles. As for industrial machinery, sales of labor-saving equipment for the kitchen saw positive growth, backed by labor shortages and rising wages. In terms of overseas activities, expansion of the iron foundry and installation of a new production line at a Mexican affiliate were completed in response to continued growth in demand for automobile parts in the North American market. In terms of infrastructure sector, the No. 3 Power Plant utilizing the latest gas combined cycle technology was completed and started working at an affiliate engaged in supplying power to Thailand's industrial estates.

Net sales of Industrial Supply and Infrastructure business reached ¥88.9 billion, up ¥2.5 billion (3.0%) spurred on by growth in the non-ferrous metals market, and ordinary profit reached ¥3.7 billion, up ¥1.4 billion (62.0%), due to the recording of gain on bargain purchase resulting from business combination regarding equity method affiliates.

(Textiles)

In the Textiles business, domestic sales of textile products continued on a downward trend, and the business outlook for this segment remained harsh.

In our flagship OEM/ODM business, the Company actively introduced initiatives set on capturing new customer segments while also bolstering sales to existing customers. In terms of product development, the Company promoted the sale of value-added commodities, such as actively incorporating functional materials in its products, namely UV cut and cool-contact materials jointly developed with a major Japanese fiber manufacturer. The Company also worked to bolster its denim sales structure both in and outside Japan, providing additional loans of garment manufacturing machines and funding to Ree Blue Myanmar Ltd., a denim sewing plant in Myanmar.

Net sales in the Textiles segment were ¥153.6 billion, down ¥7.2 billion (4.5%), and ordinary profit was ¥3.4 billion, down ¥1.9 billion (36.2%), due to a decline in the cost reduction effect generated by the strong yen during the previous period, a deterioration in profit margins, which was attributable to increased costs for small-lot orders and shorter lead times, and a deterioration in earnings among group companies.

(Foodstuffs)

In the Foodstuffs business, while the general demand and outlook for meat products remained steady, the grouping of customers and other such trends have resulted in an increasingly severe sales environment.

The Company strove to cultivate relationships with outstanding suppliers and expand sales channels based on the purpose of continuing to deliver safe and reliable products. In the imported meat business, the Company worked to strengthen relations with the Dutch-based VION FOOD GROUP - one of the world's leading meat producers - providing a briefing on future sales promotion plans for VION products, which offer customers outstanding quality and traceability, at the ceremony commemorating the 25th anniversary of the introduction of Dutch-made pork imports held in collaboration with VION FOOD GROUP. With regard to the export business of Japanese beef, the Company coordinated with the Taiwanese-based Kanpai Group, which the Company has invested in, to ship Miyazaki beef, the first exported beef product from Japan to Taiwan since import restrictions on Japanese products were lifted for the first time in 16 years, and the Company worked to expand sales of Japanese beef.

Net sales in the Foodstuffs business remained on the level with the previous period, finishing at ¥143.1 billion, down ¥1.0 billion (0.7%), while ordinary profit was ¥2.4 billion, down ¥800 million (26.1%) due to factors such as a drop in profit margin of meat sales.

B. Future Outlook

The global economic situation is expected to recover slowly on the whole, but the outlook remains cloudy, with intensifying trade disputes caused by a general shift toward protectionism in the U.S., political uncertainties in Europe, and concern about the future direction of China and other newly emerging economies.

Japan is also expected to continue on the path of modest economic recovery, but the impact of the global economic factors mentioned above has created a strong sense of uncertainty, and there are particular concerns in the steel industry arising from China's excess capacity in steel and the anticipated impact of a tightening of import restrictions in the U.S. The Company's consolidated earnings forecast for the fiscal year ending March 31, 2019 is as follows: The Company forecasts net sales of ¥2.5 trillion, operating profit of ¥38.0 billion, ordinary profit of ¥38.0 billion, and profit attributable to owners of parent of ¥23.5 billion.

(2) Overview of Financial Position for the Fiscal Year

A. Assets, Liabilities, and Net Assets

Total assets at the end of the consolidated fiscal year under review were ¥780.1 billion, up ¥107.0 billion from the end of the previous period. This result reflects the impact of factors such as an increase in accounts receivable - trade, which occurred after a rise in unit prices for steel products. Total liabilities were ¥552.1 billion, up ¥85.2 billion from the end of the previous period, due to an increase in accounts payable - trade and the issuing of bonds payable backed by an increased sales volume. Total net assets were ¥227.9 billion, up ¥21.7 billion from the end of the previous period, due to the recording of ¥21.7 billion of profit attributable to owners of parent.

As of the end of the consolidated fiscal year under review, equity capital was ¥210.6 billion, the equity ratio was 27.0%, and net interest-bearing debt to equity ratio (net debt-to-equity ratio) was 1.0.

B. Cash Flows

Cash and cash equivalents at the end of the fiscal year under review increased ¥5.9 billion from the end of the previous period to ¥27.8 billion.

While there was an increase in notes and accounts payable - trade and profit, net cash provided by operating activities in the fiscal year under review was ¥29.5 billion due to an increase in notes and accounts receivable - trade. Net cash used in investing activities was ¥8.8 billion due to factors such as the acquisition of investment securities and the purchase of property, plant and equipment. While there were expenditures in cash dividends paid, net cash provided by financing activities was ¥44.0 billion due to the issuing of corporate bonds and other factors.

C. Cash Flow Indicators

	FYE March 31, 2015	FYE March 31, 2016	FYE March 31, 2017	FYE March 31, 2018
Equity ratio (%)	24.1	26.3	28.2	27.0
Equity ratio, market value basis (%)	18.5	17.5	21.5	23.3
Interest-bearing debt/cash flow ratio (year)	39.4	1,401.8	8.8	—
Interest coverage ratio (times)	2.0	0.1	8.3	—

(Note) Equity ratio (%):	Equity capital/Total assets
Equity ratio, market value basis (%):	Market capitalization/Total assets
Interest-bearing debt/cash flow ratio (year):	Interest-bearing debts/Cash flow from operating activities
Interest coverage ratio (times):	Cash flows from operating activities/Interest payments

- * All calculations are based on consolidated financial figures.
- * Total market capitalization is calculated by multiplying the closing stock price at fiscal year end by the number of shares outstanding at fiscal year end (minus treasury shares).
- * Cash flows from operating activities are taken from the Consolidated Statements of Cash Flows.
- * Interest-bearing debts include all those on the Consolidated Balance Sheet on which interest is being paid.
- * Interest payments are taken from the Consolidated Statements of Cash Flows.

(3) Basic Policy on Distribution of Profits, and Dividends in Period under Review and Subsequent Period

The Company's most important management goal is to improve profit returns to our shareholders. The Company's basic dividend policy is to realize dividends that are in line with business results while balancing profit trends and financial condition. The targeted payout ratio is 25%-30%.

According to this policy, a year-end dividend of ¥120 per share (¥90 interim dividend) will be proposed at the Ordinary General Meeting of Shareholders.

With the Company planning to raise the targeted payout ratio from the current "25%-30%" to "30% and over" as part of its dividend policy starting in FY2018, the Company is planning an annual dividend of ¥220 per share (¥110 interim dividend) for the next term.

2. Basic Philosophy for Selecting Accounting Standards

The Company commits itself to preparing all consolidated financial statements in accordance with the Japanese Accounting Standards, while giving consideration to inter-period comparability and inter-company comparability.

The Company will appropriately respond to the application of IFRS (International Financial Reporting Standards) in consideration of the situation inside and outside Japan.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2017)	Current Fiscal Year (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	22,690	28,554
Notes and accounts receivable - trade	403,720	471,777
Inventories	91,675	112,340
Deferred tax assets	3,565	4,682
Other	16,810	16,329
Allowance for doubtful accounts	(1,011)	(1,323)
Total current assets	537,450	632,360
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,358	17,388
Machinery, equipment and vehicles, net	12,168	11,721
Tools, furniture and fixtures, net	2,105	2,049
Land	22,718	21,476
Leased assets, net	1,528	1,450
Construction in progress	904	943
Total property, plant and equipment	57,783	55,030
Intangible assets		
Goodwill	91	51
Other	771	708
Total intangible assets	862	760
Investments and other assets		
Investment securities	63,250	77,120
Long-term loans receivable	245	178
Net defined benefit asset	1,281	1,809
Deferred tax assets	631	592
Other	14,815	15,432
Allowance for doubtful accounts	(3,241)	(3,136)
Total investments and other assets	76,982	91,997
Total non-current assets	135,628	147,787
Total assets	673,078	780,148

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2017)	Current Fiscal Year (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	224,266	249,614
Short-term loans payable	127,883	132,084
Commercial papers	-	20,000
Lease obligations	738	646
Income taxes payable	3,324	6,075
Deferred tax liabilities	79	68
Provision for bonuses	3,540	3,839
Provision for loss on liquidation of subsidiaries and associates	251	645
Other	25,509	28,403
Total current liabilities	385,594	441,376
Non-current liabilities		
Bonds payable	-	30,000
Long-term loans payable	68,216	65,538
Lease obligations	655	634
Deferred tax liabilities	5,911	7,960
Provision for directors' retirement benefits	554	523
Net defined benefit liability	1,891	2,107
Other	4,067	4,039
Total non-current liabilities	81,296	110,803
Total liabilities	466,891	552,179
Net assets		
Shareholders' equity		
Capital stock	12,335	12,335
Capital surplus	50,721	50,751
Retained earnings	115,308	131,006
Treasury shares	(127)	(140)
Total shareholders' equity	178,237	193,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,266	11,581
Deferred gains or losses on hedges	(355)	(502)
Foreign currency translation adjustment	3,696	5,190
Remeasurements of defined benefit plans	61	452
Total accumulated other comprehensive income	11,668	16,722
Non-controlling interests	16,280	17,293
Total net assets	206,187	227,968
Total liabilities and net assets	673,078	780,148

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

(Consolidated Statements of Income)

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
	(Millions of yen)	
Net sales	1,841,353	2,062,316
Cost of sales	1,713,223	1,930,919
Gross profit	128,130	131,396
Selling, general and administrative expenses	97,297	99,081
Operating profit	30,832	32,314
Non-operating income		
Interest income	357	382
Dividend income	914	1,362
Share of profit of entities accounted for using equity method	1,220	3,205
Purchase discounts	479	549
Other	1,339	1,614
Total non-operating income	4,311	7,114
Non-operating expenses		
Interest expenses	2,702	3,259
Foreign exchange losses	745	-
Other	780	980
Total non-operating expenses	4,228	4,240
Ordinary profit	30,915	35,188
Extraordinary income		
Gain on sales of non-current assets	107	427
Gain on sales of investment securities	267	124
Gain on step acquisitions	101	-
Gain on bargain purchase	41	-
Total extraordinary income	518	551
Extraordinary losses		
Impairment loss	1,901	966
Loss on sales of investment securities	156	29
Loss on valuation of investment securities	91	618
Loss on sales of investments in capital	8	-
Loss on valuation of investments in capital	68	-
Loss on change in equity	79	-
Loss on liquidation of subsidiaries and associates	238	1,122
Total extraordinary losses	2,543	2,736
Profit before income taxes	28,890	33,003
Income taxes - current	8,191	10,377
Income taxes - deferred	1,413	(511)
Total income taxes	9,605	9,865
Profit	19,284	23,137
Profit attributable to non-controlling interests	1,046	1,411
Profit attributable to owners of parent	18,238	21,726

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
Profit	19,284	23,137
Other comprehensive income		
Valuation difference on available-for-sale securities	3,423	3,288
Deferred gains or losses on hedges	915	(149)
Foreign currency translation adjustment	(1,608)	132
Remeasurements of defined benefit plans, net of tax	299	390
Share of other comprehensive income of entities accounted for using equity method	(751)	1,218
Total other comprehensive income	2,277	4,880
Comprehensive income	21,562	28,018
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,930	26,780
Comprehensive income attributable to non-controlling interests	632	1,238

(3) Consolidated Statements of Changes in Equity

Previous Fiscal Year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,335	50,649	101,678	(117)	164,546
Changes of items during period					
Dividends of surplus			(4,637)		(4,637)
Profit attributable to owners of parent			18,238		18,238
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		0		0	0
Change of scope of consolidation			30		30
Change of scope of equity method			(0)		(0)
Difference on change in equity		70			70
Net changes of items other than shareholders' equity					
Total changes of items during period	-	71	13,629	(9)	13,691
Balance at end of current period	12,335	50,721	115,308	(127)	178,237

	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	4,817	(1,272)	5,659	(237)	8,966	16,751	190,264
Changes of items during period							
Dividends of surplus							(4,637)
Profit attributable to owners of parent							18,238
Purchase of treasury shares							(10)
Disposal of treasury shares							0
Change of scope of consolidation							30
Change of scope of equity method							(0)
Difference on change in equity							70
Net changes of items other than shareholders' equity	3,449	916	(1,962)	299	2,702	(471)	2,231
Total changes of items during period	3,449	916	(1,962)	299	2,702	(471)	15,923
Balance at end of current period	8,266	(355)	3,696	61	11,668	16,280	206,187

Current Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,335	50,721	115,308	(127)	178,237
Changes of items during period					
Dividends of surplus			(6,028)		(6,028)
Profit attributable to owners of parent			21,726		21,726
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		0	0
Difference on change in equity		30			30
Net changes of items other than shareholders' equity					
Total changes of items during period	-	30	15,698	(13)	15,715
Balance at end of current period	12,335	50,751	131,006	(140)	193,953

	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	8,266	(355)	3,696	61	11,668	16,280	206,187
Changes of items during period							
Dividends of surplus							(6,028)
Profit attributable to owners of parent							21,726
Purchase of treasury shares							(13)
Disposal of treasury shares							0
Difference on change in equity							30
Net changes of items other than shareholders' equity	3,315	(146)	1,494	390	5,053	1,012	6,066
Total changes of items during period	3,315	(146)	1,494	390	5,053	1,012	21,781
Balance at end of current period	11,581	(502)	5,190	452	16,722	17,293	227,968

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	28,890	33,003
Depreciation	5,605	5,348
Impairment loss	1,901	966
Amortization of goodwill	45	46
Increase (decrease) in allowance for doubtful accounts	(1,236)	182
Increase (decrease) in provision for bonuses	153	299
Increase (decrease) in net defined benefit liability	16	208
Interest and dividend income	(1,272)	(1,745)
Interest expenses	2,702	3,259
Share of loss (profit) of entities accounted for using equity method	(1,220)	(3,205)
Gain on bargain purchase	(41)	-
Loss (gain) on sales of non-current assets	(107)	(427)
Loss (gain) on sales of investment securities	(110)	(95)
Loss (gain) on valuation of investment securities	91	618
Loss (gain) on sales of investments in capital	8	-
Loss on valuation of investments in capital	68	-
Decrease (increase) in notes and accounts receivable - trade	(12,130)	(65,409)
Decrease (increase) in inventories	3,997	(20,430)
Increase (decrease) in notes and accounts payable - trade	7,835	22,854
Other, net	(2,619)	3,559
Subtotal	32,575	(20,963)
Interest and dividend income received	1,986	2,333
Interest expenses paid	(2,683)	(3,241)
Income taxes paid	(9,596)	(7,656)
Net cash provided by (used in) operating activities	22,282	(29,528)
Cash flows from investing activities		
Decrease (increase) in time deposits	11	188
Purchase of property, plant and equipment	(4,258)	(5,254)
Proceeds from sales of property, plant and equipment	233	2,852
Purchase of intangible assets	(39)	(25)
Purchase of investment securities	(1,099)	(6,563)
Proceeds from sales of investment securities	1,083	370
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(336)	-
Decrease (increase) in short-term loans receivable	155	189
Payments of long-term loans receivable	(30)	(24)
Collection of long-term loans receivable	56	31
Other, net	181	(607)
Net cash provided by (used in) investing activities	(4,043)	(8,842)

(Millions of yen)

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,334)	5,075
Net increase (decrease) in commercial papers	-	20,000
Proceeds from long-term loans payable	1,032	200
Repayments of long-term loans payable	(6,819)	(3,593)
Proceeds from issuance of bonds	-	29,857
Proceeds from share issuance to non-controlling shareholders	-	37
Cash dividends paid	(4,636)	(6,028)
Dividends paid to non-controlling interests	(532)	(521)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(561)	(27)
Other, net	(936)	(936)
Net cash provided by (used in) financing activities	(14,788)	44,064
Effect of exchange rate change on cash and cash equivalents	(581)	107
Net increase (decrease) in cash and cash equivalents	2,869	5,800
Cash and cash equivalents at beginning of period	18,904	21,889
Increase in cash and cash equivalents from newly consolidated subsidiary	115	-
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	-	189
Cash and cash equivalents at end of period	21,889	27,879

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, etc.)

[Segment Information]

1. Overview of Reportable Segments

Reportable segments of the Company are those constituent units of the Company for which separate financial information can be derived. These segments are subject to periodic examination in order for the Board of Directors to make decisions on the allocation of management resources and to evaluate earnings.

The Company is primarily engaged in the sale of steel, industrial supply and infrastructure, textiles, foodstuffs, and other products in Japan and abroad. For each category of product handled, it establishes sales divisions to draft comprehensive strategies for Japan and abroad, and conduct business activities accordingly.

Thus, the Company consists of four business divisions based on the products it handles and has four reportable segments: Steel, Industrial Supply and Infrastructure, Textiles, and Foodstuffs.

The major products handled in the Steel segment are steel plates and sheets, steel pipes and tubes, bars and special steel, structural products, raw materials and fuels, and machinery. The major products handled in the Industrial Supply and Infrastructure segment are industrial machinery, non-ferrous metals, cast and forged products, and railroad machinery. Also in this segment, industrial estates are developed and sold, and power generation facilities developed through equity method affiliates. The major products handled in the Textiles segment are textiles products and materials. The major products handled in the Foodstuffs segment are imported meats and sea food.

2. Methods of Calculating Amounts of Each Reporting Segment's Net Sales, Profit/Loss, Assets and Other Items

The methods of accounting the results reported by each segment are as stated in "Significant matters forming the basis for preparing Consolidated Financial Statements."

Profits of reportable segments are based on ordinary profit. Inter-segment trade is treated as inter-company trade, and as such is based on market prices, etc.

3. Information on Amounts of Each Reporting Segment's Net Sales, Profit/Loss, Assets and Other Items
Previous Fiscal Year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Notes 2, 3)	Consolidated financial statements amount (Note 4)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,448,405	86,396	160,895	144,189	1,839,887	1,465	1,841,353	–	1,841,353
Intersegment sales or transfers	854	1,172	3	0	2,031	184	2,216	(2,216)	–
Total	1,449,260	87,568	160,899	144,190	1,841,919	1,650	1,843,569	(2,216)	1,841,353
Segment profit (Ordinary profit)	19,657	2,290	5,471	3,373	30,793	114	30,907	7	30,915
Segment assets	487,277	56,547	80,539	38,881	663,245	5,077	668,323	4,755	673,078
Others									
Depreciation	3,598	679	1,156	156	5,591	13	5,605	–	5,605
Amortization of goodwill	45	–	–	–	45	–	45	–	45
Interest income	294	12	22	25	354	2	357	–	357
Interest expenses	2,231	152	225	47	2,656	46	2,702	–	2,702
Equity in earnings (losses) of affiliates	559	656	4	–	1,220	–	1,220	–	1,220
Investment in equity method affiliates	9,797	17,597	162	–	27,557	–	27,557	–	27,557
Increase in property, plant and equipment and intangible assets	2,512	1,028	665	91	4,298	0	4,298	–	4,298

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The adjustment of ¥7 million in "segment profit" represents the elimination of inter-segment trade.
3. The adjustment of ¥4,755 million in "segment assets" represents ¥5,161 million in the Group-wide assets not allocated to any reportable segment and an elimination of ¥406 million in inter-segment trade. The Group-wide assets consist primarily of the parent company's cash and deposits.
4. The total profit of the "reportable segments" and "others" aligns with the ordinary profit in the consolidated statement of income excepting the adjustment of ¥7 million.

Current Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Notes 2, 3)	Consolidated financial statements amount (Note 4)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	1,674,997	88,976	153,671	143,148	2,060,793	1,522	2,062,316	–	2,062,316
Intersegment sales or transfers	873	957	5	–	1,836	165	2,002	(2,002)	–
Total	1,675,870	89,934	153,676	143,148	2,062,629	1,688	2,064,318	(2,002)	2,062,316
Segment profit (Ordinary profit)	25,396	3,711	3,492	2,491	35,091	96	35,188	(0)	35,188
Segment assets	577,060	61,716	84,762	42,711	766,250	3,557	769,807	10,340	780,148
Others									
Depreciation	3,280	734	1,205	115	5,335	13	5,348	–	5,348
Amortization of goodwill	45	–	–	0	46	–	46	–	46
Interest income	332	7	20	20	380	1	382	–	382
Interest expenses	2,615	134	294	169	3,213	46	3,259	–	3,259
Equity in earnings (losses) of affiliates	921	2,285	(0)	–	3,205	–	3,205	–	3,205
Investment in equity method affiliates	10,760	20,839	104	–	31,704	–	31,704	–	31,704
Increase in property, plant and equipment and intangible assets	3,751	974	397	123	5,247	32	5,280	–	5,280

- (Notes) 1. “Others” represents items not included under “reportable segments,” and it includes real estate business.
2. The downward adjustment of ¥0 million in “segment profit” represents the elimination of inter-segment trade.
3. The adjustment of ¥10,340 million in “segment assets” represents ¥10,760 million in the Group-wide assets not allocated to any reportable segment and an elimination of ¥420 million in inter-segment trade. The Group-wide assets consist primarily of the parent company’s cash and deposits.
4. The total profit of the “reportable segments” and “others” aligns with the ordinary profit in the consolidated statement of income excepting the downward adjustment of ¥0 million.

[Related information]

Previous Fiscal Year (April 1, 2016 to March 31, 2017)

1. Product- and service-specific information

Omitted, since it is the same as the reportable segments.

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
1,360,827	398,934	81,591	1,841,353

(Note) Net sales are based on customers' locations, and are categorized according to country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
37,628	11,663	8,490	57,783

3. Major customer-specific information

There are no customers this item applies to.

Current Fiscal Year (April 1, 2017 to March 31, 2018)

1. Product- and service-specific information

Omitted, since it is the same as the reportable segments.

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
1,508,632	459,729	93,953	2,062,316

(Note) Net sales are based on customers' locations, and are categorized according to country/region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
35,972	10,513	8,544	55,030

3. Major customer-specific information

There are no customers this item applies to.

[Information on Impairment Loss on Non-current Assets for Each Reporting Segment]

Previous Fiscal Year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/ elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Impairment loss	1,392	60	358	89	1,901	–	1,901	–	1,901

Current Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/ elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Impairment loss	928	–	–	37	966	–	966	–	966

[Information on Amortized and Unamortized Amounts of Goodwill for Each Reportable Segment]

Previous Fiscal Year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/ elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Amortization in current period	45	–	–	–	45	–	45	–	45
Balance at end of current period	91	–	–	–	91	–	91	–	91

Current Fiscal Year (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Others	Total	Group-wide/ elimination	Consolidated financial statements amount
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Amortization in current period	45	–	–	0	46	–	46	–	46
Balance at end of current period	45	–	–	6	51	–	51	–	51

[Information on Gain on Bargain Purchase for Each Reportable Segment]

Previous Fiscal Year (April 1, 2016 to March 31, 2017)

No such events occurred.

Current Fiscal Year (April 1, 2017 to March 31, 2018)

No such events occurred.

(Per Share Information)

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
Net assets per share	¥6,143.38	¥6,815.75
Earnings per share	¥589.96	¥702.86

(Notes) 1. Earnings per share after adjustment for the effects of dilutive potential shares is not reported due to the absence of dilutive potential shares.

2. Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the earnings per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

3. The basis for calculating earnings per share during the period is as follows.
The average number of shares during the period was calculated by deducting the treasury shares from the number of shares outstanding during the period.

	Previous Fiscal Year (April 1, 2016 to March 31, 2017)	Current Fiscal Year (April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (millions of yen)	18,238	21,726
Amount not belonging to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	18,238	21,726
Average common shares during the period (1,000 shares)	30,913	30,911

4. The basis for calculating net assets per share is as follows.

	End of Previous Fiscal Year (March 31, 2017)	End of Current Fiscal Year (March 31, 2018)
Total net assets (millions of yen)	206,187	227,968
Amount deducted from total net assets (millions of yen)	16,280	17,293
(of which, non-controlling interests) (millions of yen)	(16,280)	(17,293)
Net assets on common stock at end of period (millions of yen)	189,906	210,675
Number of common shares at end of period used to calculate net assets per share (1,000 shares)	30,912	30,910

(Subsequent Events)

At the board of directors meeting held on September 29, 2017, the Company resolved to acquire part of the steel products business of Mitsui & Co., Ltd. (“Mitsui & Co.”) and its related company Mitsui & Co. Steel Ltd. (together with Mitsui & Co., the “Mitsui & Co. Group”) (the “Business Acquisition”) and to issue new shares through a third-party allotment to Mitsui & Co. (the “Third-Party Allotment) in order to strengthen the capital relationship between the companies. Payment procedures for the Business Acquisition and the Third-Party Allotment were completed in April 2018. Further, company stocks relating to the Business Acquisition have been acquired from Mitsui & Co. Group.