
Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2019
(April 2018 → December 2018)

“ Special Steel ” - specialized, and exists in everyday life

 **SANYO SPECIAL STEEL**



<http://www.sanyo-steel.co.jp>

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Outline of Statements of Income

(Unit : Billion yen)

	FY18 1~3Q (A)		FY17 1~3Q (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	139.2	100.0	115.6	100.0	+23.7	+20.5
Operating Income	8.2	5.9	9.2	8.0	-1.0	-11.1
Ordinary Income	8.1	<i>ROS</i> 5.8	9.1	<i>ROS</i> 7.9	-1.1	-11.5
Net Income* ¹	7.2	5.2	6.0	5.2	+1.2	+19.3

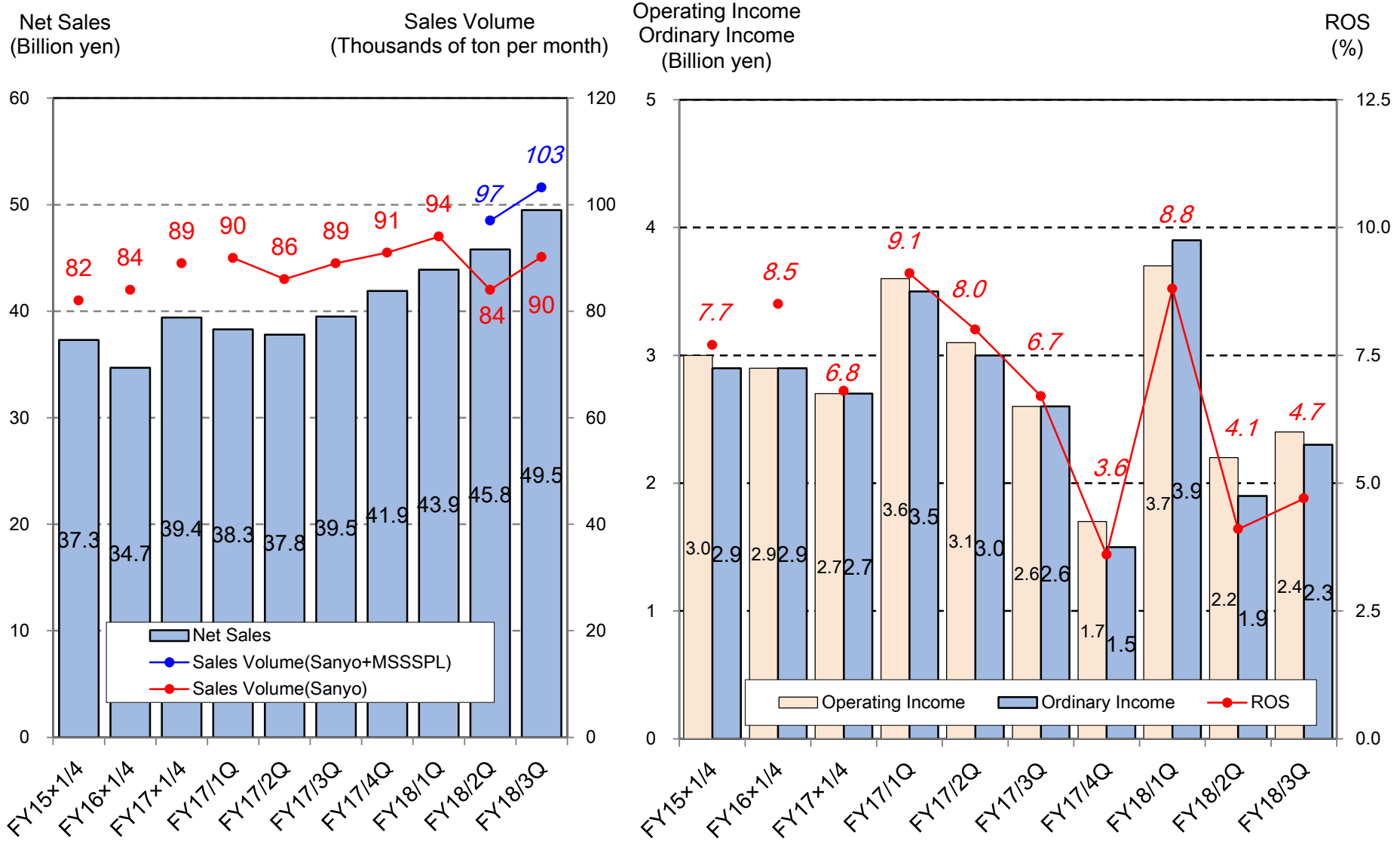
<i>Sales Volume</i> (Sanyo* ² +MSSSPL* ³) (Thousands of ton)	881	97.9 /month	796	88.5 /month	+85	+9.4 /month
(Sanyo)	802	89.1 /month	796	88.5 /month	+6	+0.7 /month

*1 Profit attributable to owners of parent. FY18 1 ~ 3Q includes gains on step acquisition (1.5 billion yen) by making MSSSPL our subsidiary in June 2018.

*2 Sanyo : Sanyo Special Steel Co., Ltd.

*3 MSSSPL : Mahindra Sanyo Special Steel Pvt. Ltd.

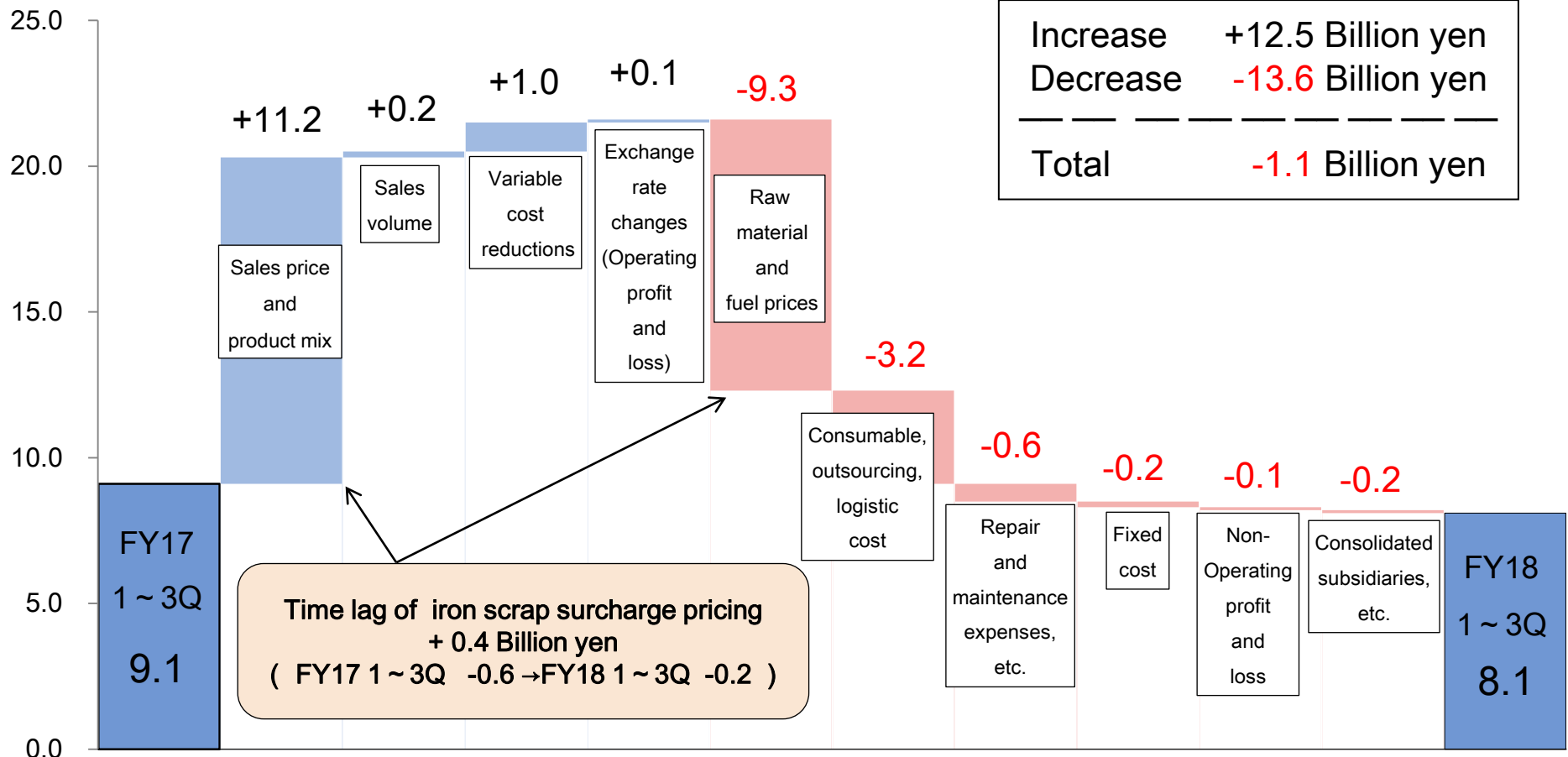
Net Sales and Ordinary Income (quarterly)



Ordinary Income Variance Analysis

FY17 1~3Q (9.1) → FY18 1~3Q (8.1) (-1.1 Billion yen)

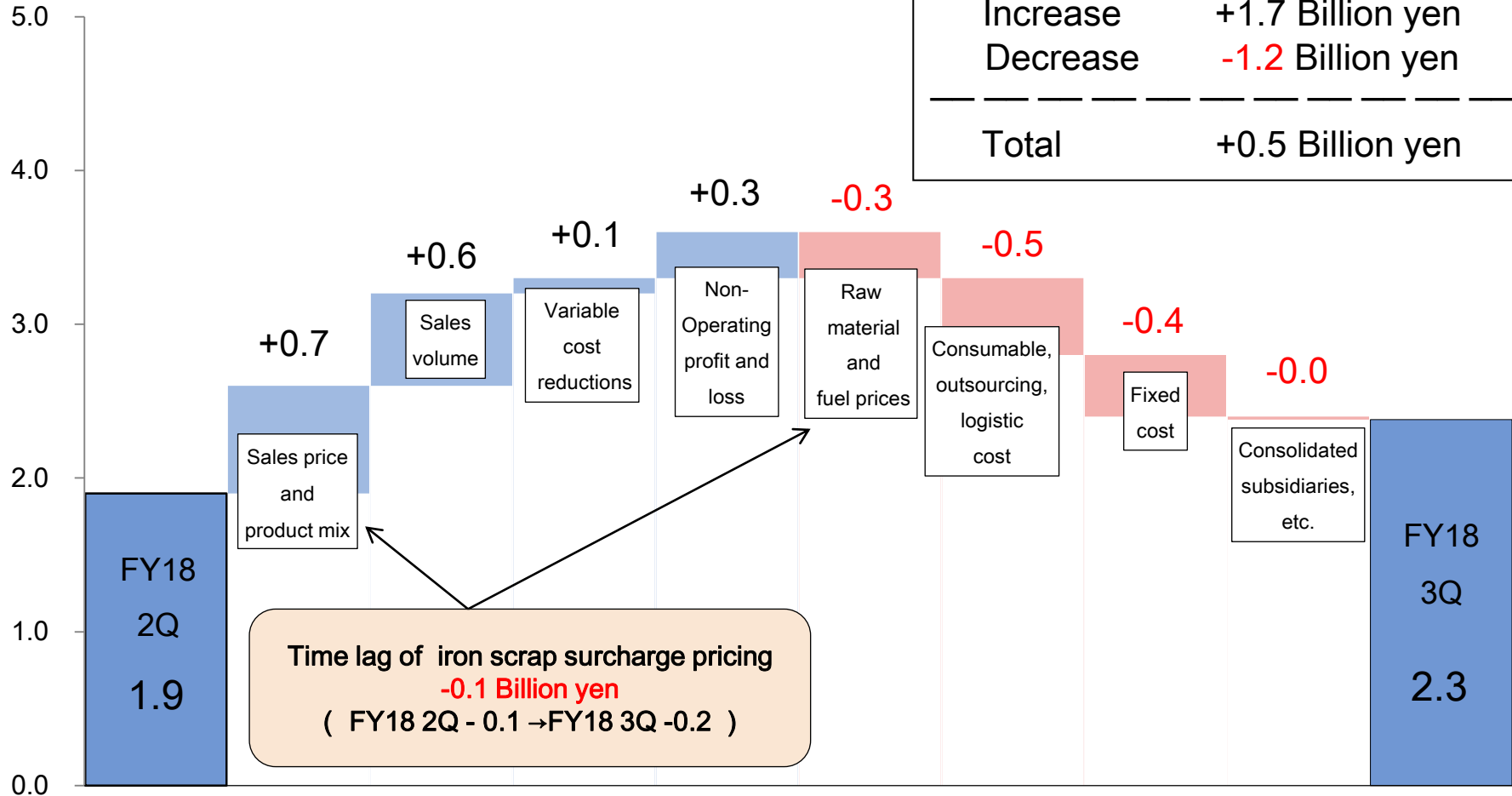
(Billion yen)



Ordinary Income Variance Analysis

FY18 2Q (1.9) → FY18 3Q (2.3) (+0.5 Billion yen)

(Billion yen)



Increase	+1.7 Billion yen
Decrease	-1.2 Billion yen
<hr/>	
Total	+0.5 Billion yen

Time lag of iron scrap surcharge pricing
 -0.1 Billion yen
 (FY18 2Q - 0.1 → FY18 3Q -0.2)

Earnings by Business Segment

(Unit : Billion yen)

	FY18 1~3Q (A)			FY17 1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products*	127.4	6.9	5.4	104.0	7.8	7.5	+23.3	-0.9	-2.1
Metal Powders*	3.7	0.6	15.7	3.7	0.7	19.9	+0.0	-0.1	-4.2
Formed and Fabricated Materials*	15.2	0.7	4.4	13.6	0.6	4.8	+1.6	+0.0	-0.4
Sub-total	146.3	8.1	5.6	121.3	9.2	7.5	+25.0	-1.0	-1.9
Other	1.1	0.0	2.4	1.0	0.0	0.4	+0.1	+0.0	+2.0
Adjustments*	-8.2	0.1	—	-6.8	0.1	—	-1.4	-0.0	—
Consolidated Total	139.2	8.2	5.9	115.6	9.2	8.0	+23.7	-1.0	-2.1

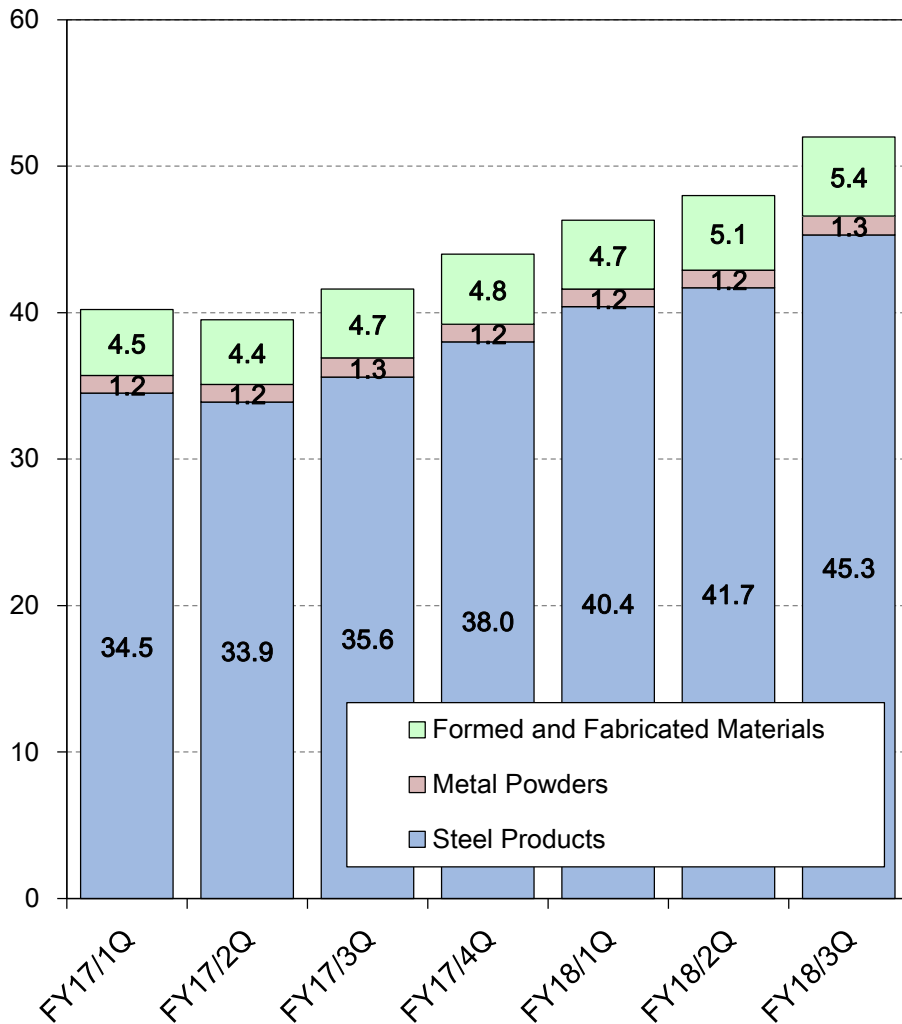
* As a result of the management method change, adjustments of inventory value, which had been included in "Adjustments", are allocated to operating income of each reporting segment from FY18.

Segment information of FY17 is also described after this change.

Changes in Business Segment(quarterly)

(Billion yen)

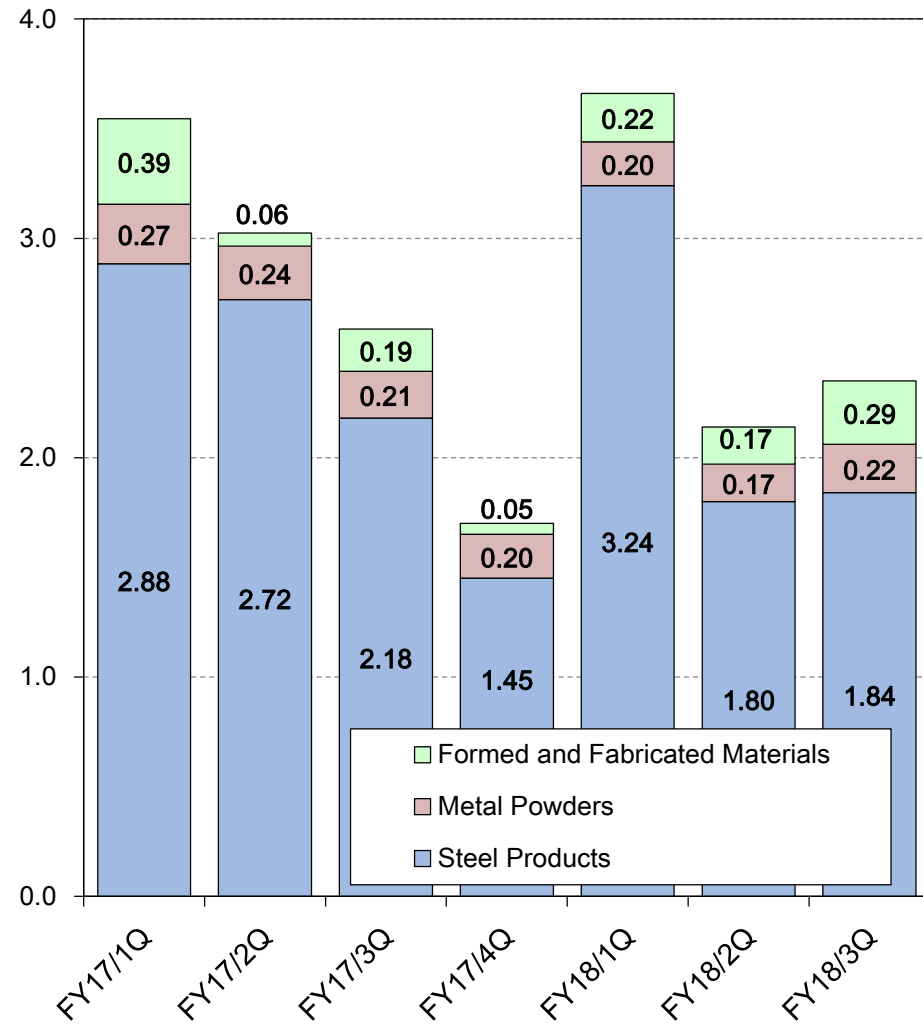
Net Sales*



*Including intersegment transactions

(Billion yen)

Operating Income*



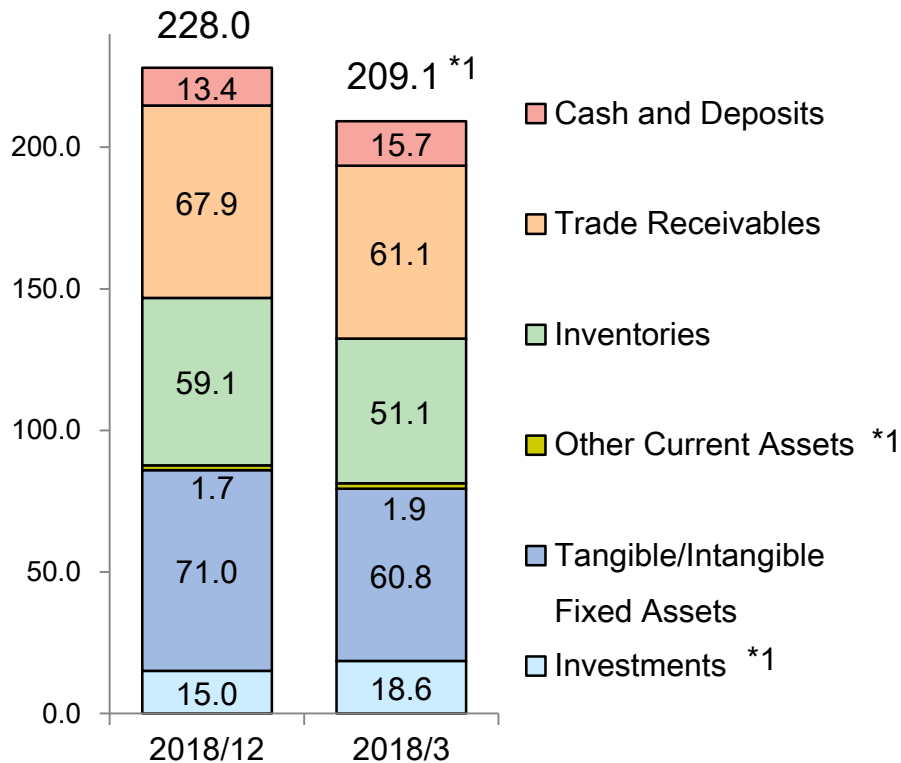
*Including intersegment transactions

Revised by the management method change

Balance Sheets

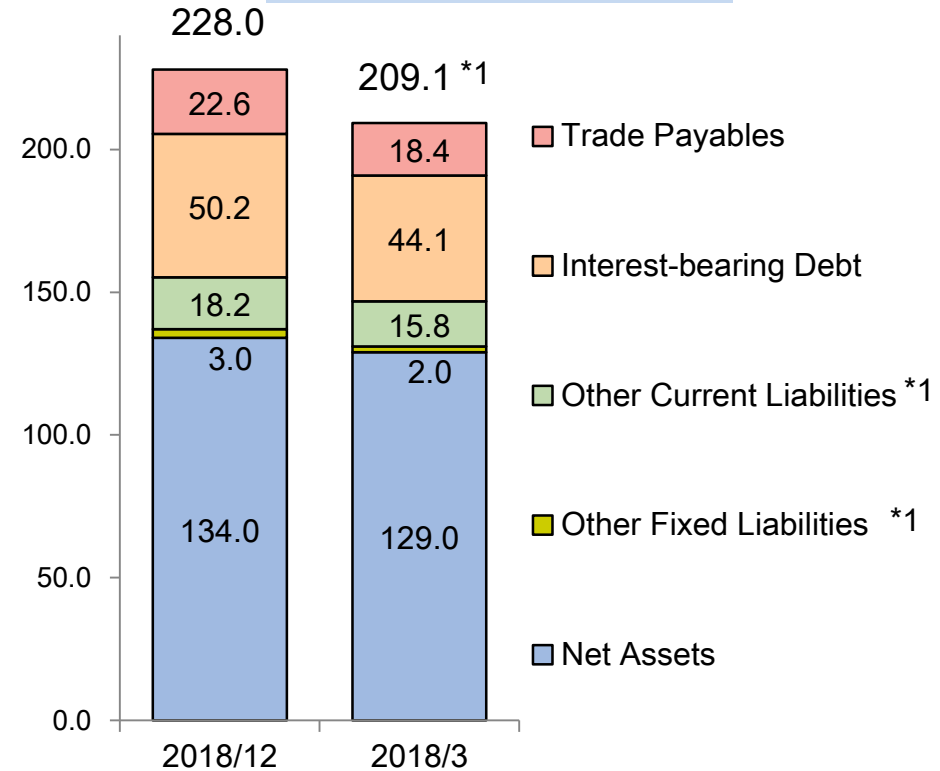
(Billion yen)

Assets



(Billion yen)

Liabilities and Net Assets



Major changes in Assets +18.9 billion yen

Trade Receivables	+ 6.8
Inventories	+ 8.0
Tangible/Intangible Fixed Assets	+10.1

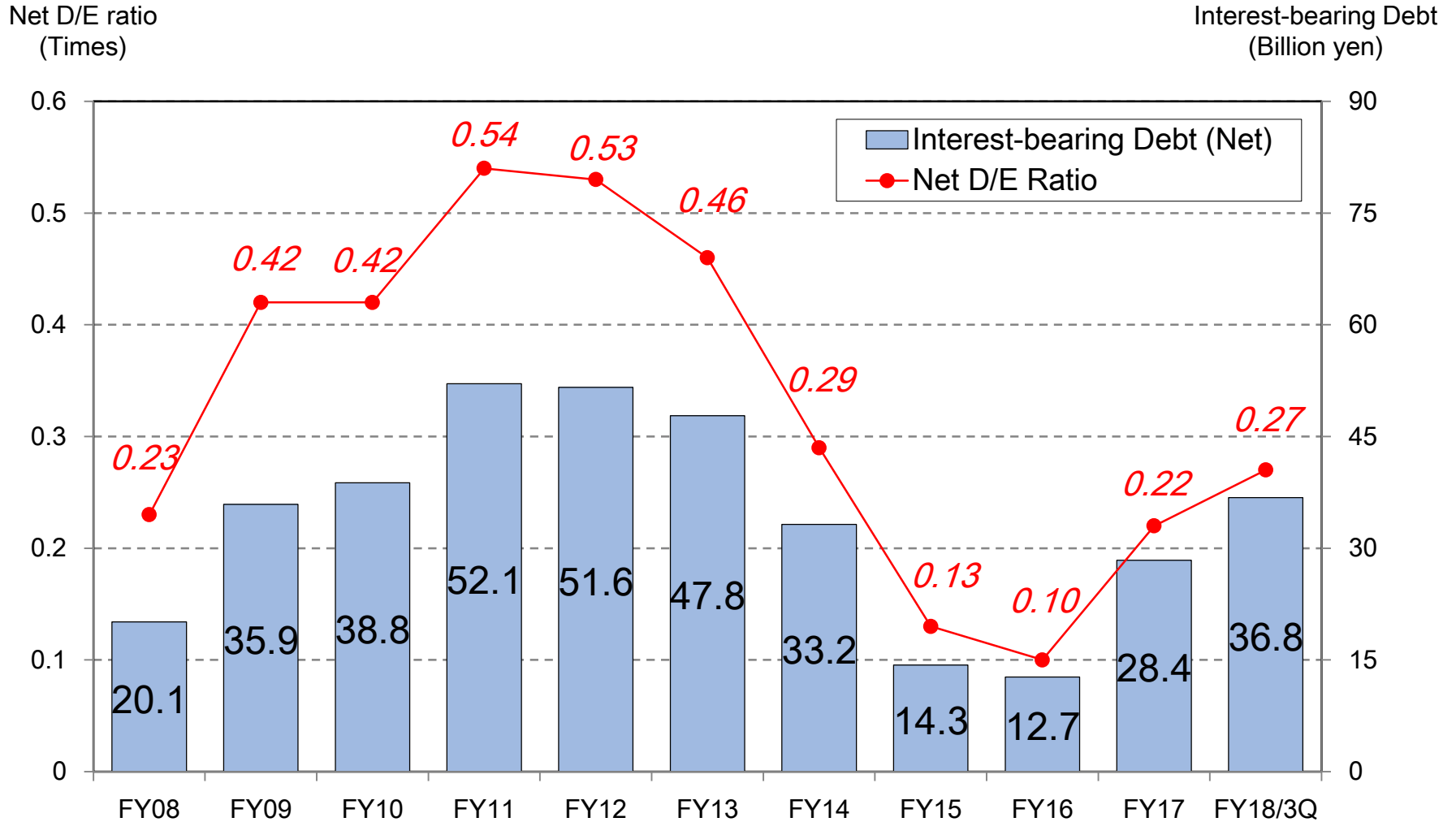
Major changes in Liabilities and Net Assets +18.9 billion yen

Trade Payables	+4.2
Interest-bearing Debt	+6.1
Net Assets	+5.0

*1 As a result of applying “ Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc., the figures of FY17 have been adjusted.

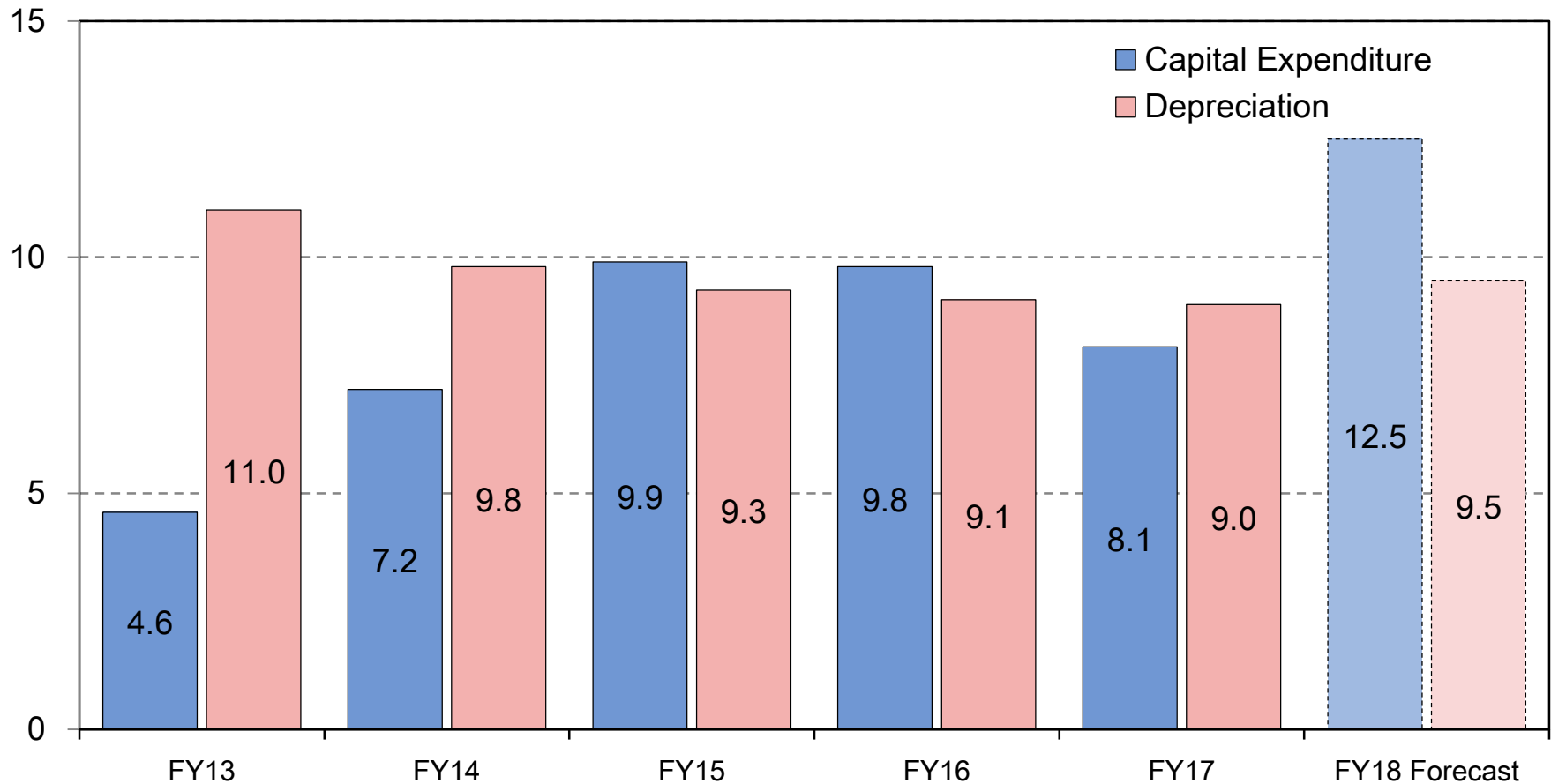
*2 The impact of making Mahindra Sanyo Special Steel Pvt. Ltd. our subsidiary is about 14.6 billion yen.

D/E Ratio



(Reference) Capital Expenditure and Depreciation

(Billion yen)



Business Forecast for FY18 remains the same as of October 31, 2018

(Unit : Billion yen)

	FY18 Forecast (A)		FY17 Result (B)		Change (B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	185.0	100.0	157.5	100.0	+27.5	+17.5
Operating Income	10.0	5.4	11.0	7.0	-1.0	-8.8
Ordinary Income	9.5	<i>ROS</i> 5.1	10.7	<i>ROS</i> 6.8	-1.2	-10.9
Net Income*1	8.0	4.3	7.0	4.5	+1.0	+13.7

*1 Profit attributable to owners of parent.

(Reference)

<i>Sales Volume</i> (Sanyo+MSSSPL) (Thousands of ton)	1,181	98.5 /month	1,069	89.1 /month	+112	+9.4 /month
(Sanyo)	1,071	89.3 /month	1,069	89.1 /month	+2	+0.2 /month

Major assumptions after January 2019

· Scrap iron 29,000 yen/t (H2 market price in Himeji area) · Crude oil(Dubai) 60\$/BL · Exchange rate 110 yen/US\$

Dividend

remains the same as of October 31, 2018

		FY18 1st Half Result*1	FY18 2nd Half Forecast	FY18 Forecast	(Reference) FY17 Result
Net Income*2	Billion yen	5.1	2.9	8.0	7.0
Earnings Per Share*3,4	¥/share	157.1	89.8	246.3	218.3
Dividend*3	¥/share	45.0	26.5	71.5	58.5 (Interim 33.5 Year-end 25.0)
Payout Ratio*4,5	%	28.6	29.5	29.0	26.8

*1 Payment date of interim dividends : November 30, 2018

*2 Profit attributable to owners of parent

*3 We conducted a one-for-five reverse stock split of our company's shares effective on October 1, 2017.

Earnings Per Share and Dividend are adjusted after the one-for-five reverse stock split .

*4 We will conduct a third-party allotment effective on March 28, 2019. Earnings Per Share and Payout Ratio in FY18 forecast are calculated based on average number of shares after this issuance.

*5 Payout Ratio · · · Dividend / Earnings Per Share

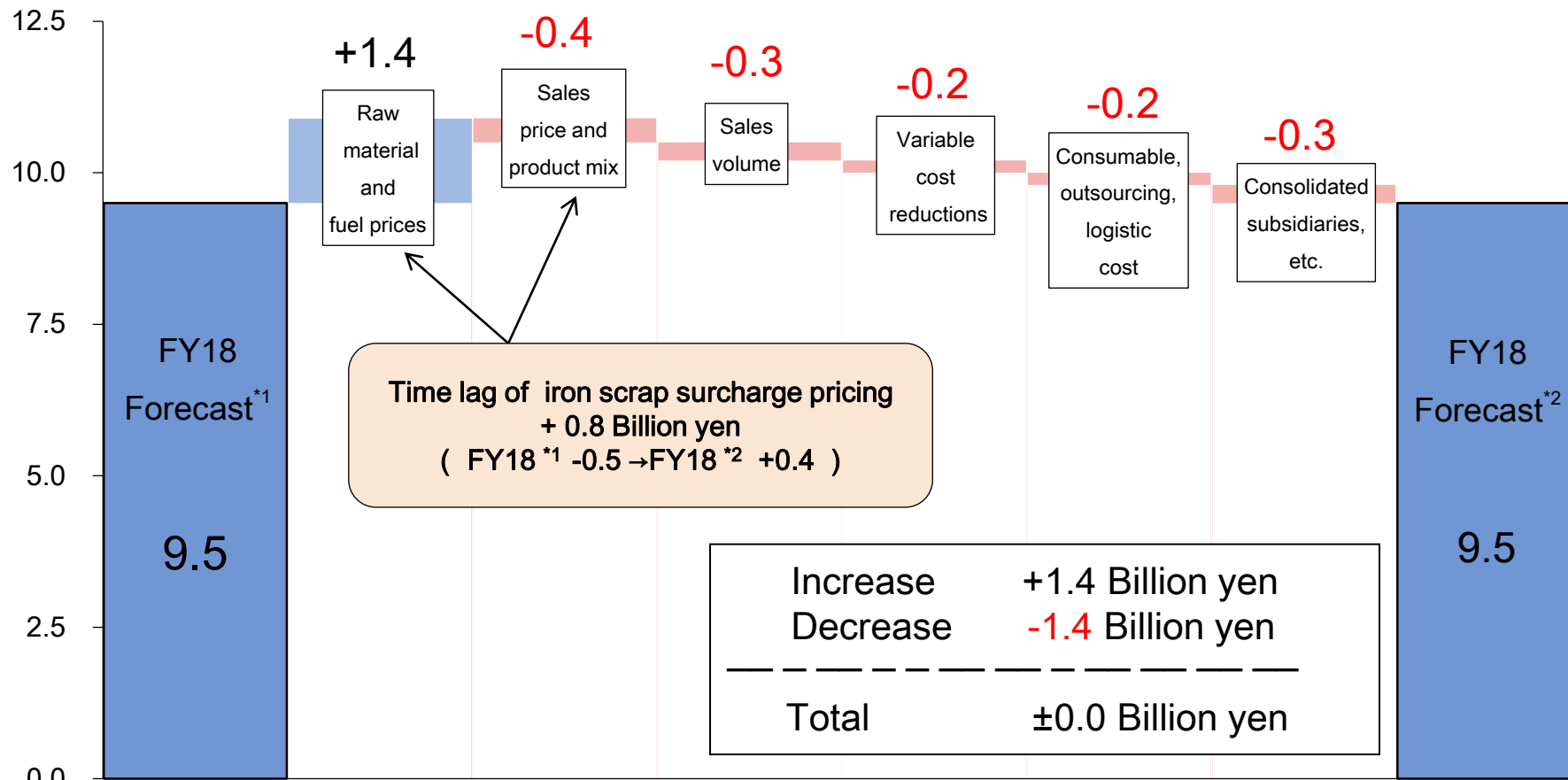
< Dividend Policy >

Dividend payout ratio target (consolidated basis) 25 ~ 30 %

Ordinary Income Variance Analysis

FY18 Forecast^{*1} (9.5) → FY18 Forecast^{*2} (9.5)(±0.0 Billion yen)

(Billion yen)



*1 As of October 31, 2018

*2 As of January 30, 2019

Changes in Financial Indicators

		FY13	FY14	FY15	FY16	FY17	FY18 1~3Q
ROE (Net Income to Net Assets) *1	%	4.1	6.1	6.6	6.6	5.6	7.4
ROS (Ordinary Income to Net Sales)	%	4.2	5.7	7.7	8.5	6.8	5.8
ROA (Ordinary Income to Total Assets) *1,2	%	3.4	4.8	6.0	6.5	5.4	4.9
Equity Ratio*2	%	50.2	55.8	62.4	66.7	61.0	57.1
Interest-bearing Debt (Net)	Billion yen	47.8	33.2	14.3	12.7	28.4	36.8
Net D/E Ratio *3	Times	0.46	0.29	0.13	0.10	0.22	0.27
Earnings Per Share*4	¥/share	126.0	203.0	230.0	241.5	218.3	222.9
Net Assets Per Share*4	¥/share	3,167	3,498	3,483	3,797	3,961	4,044
Number of Employees at End of Period*5	Persons	2,775	2,706	2,625	2,598	2,666	3,832

*1 ROE and ROA are annualized.

*2 As a result of applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc., the figures of FY17 have been adjusted.

*3 Net Debt Equity Ratio · · · Interest-bearing Debt (net) / Net Assets

*4 We conducted a one-for-five reverse stock split of our company’s shares effective on October 1, 2017.

Earnings Per Share and Net Assets Per Share are adjusted after the one-for-five reverse stock split .

*5 For FY18 1 ~ 3Q, Number of Employees increased by making Mahindra Sanyo Special Steel Pvt. Ltd. our subsidiary in June 2018.

Other Topics

(1) Sanyo becoming a subsidiary of NSSMC *1

- Approval from the Japan Fair Trade Commission (JFTC)
 - On Jan. 18th, JFTC approved not issuing a cease-and-desist-order on the condition that the remedies below are taken.
 - Foreign FTCs have already approved by the end of 2018.

Remedies

(1) Facility transfer

Sanyo transfers a part of co-ownership interests in Sanyo's rolling mill of domestic small diameter seamless pipes for bearing & its right of use (15kt/year (max. 16kt)) to Kobe Steel

(2) Business transfer

NSSMC & Sanyo transfer trade right of total 14kt/year to Kobe Steel

Schedule

Feb. 28th, 2019 – Extraordinary general shareholders' meeting of Sanyo (plan)

Mar. 28th, 2019 – Payment date of Third-Party Allotment

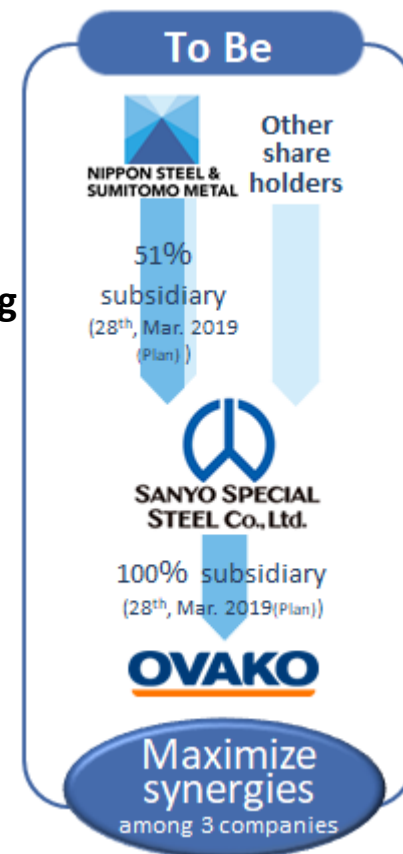
(Sanyo will become NSSMC's 51% subsidiary) (plan)

& Obtain all the shares of OVAKO from NSSMC

(OVAKO will become Sanyo's 100% subsidiary) (plan)

Realize synergies of JPY 10 bn./year as NSSMC Group

*1 NSSMC : Nippon Steel and Sumitomo Metal Corporation

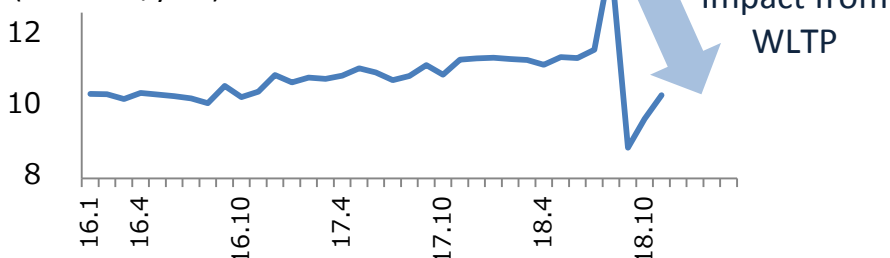


Other Topics

(2) OVAKO Financial Performance

Auto Sales in EU

(mil. units/year)



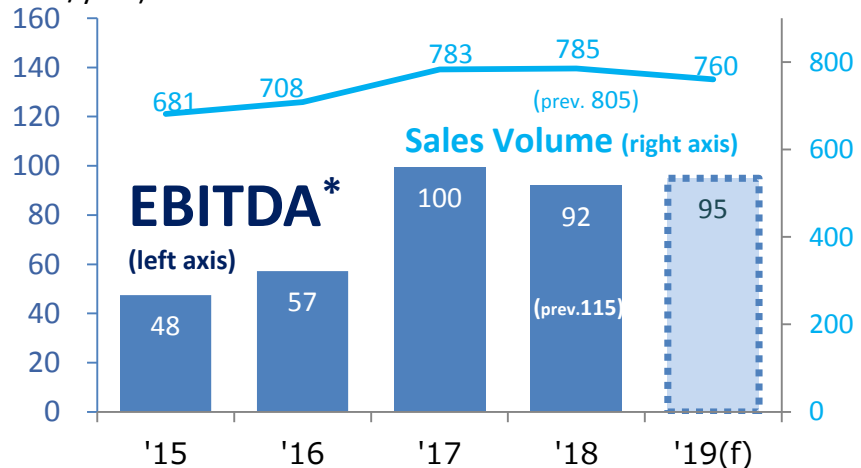
Because of the delay in certification acquisition under new WLTP*, auto sales in Europe has suffered a one-off sharp decline. And the influence will continue over FY19 1H.

*WLTP : Worldwide harmonized Light vehicles Test Procedure introduced in Sep.2018

Sales Volume & EBITDA

(mil. €/year)

(kt/year)



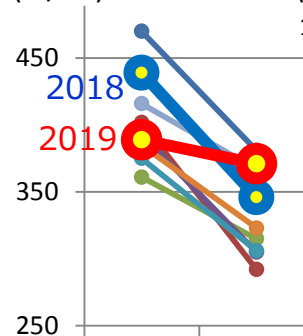
*excl. restructuring costs

(prev.) = As of Nov. 2018

Seasonality

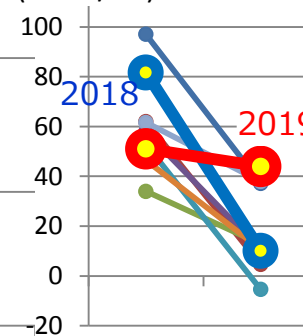
Sales Volume

(kt/HY)



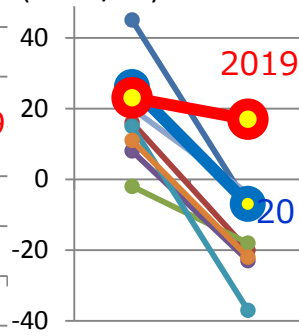
EBITDA

(mil. €/HY)



Net Profit

(mil. €/HY)



Jan-Jun Jul-Dec

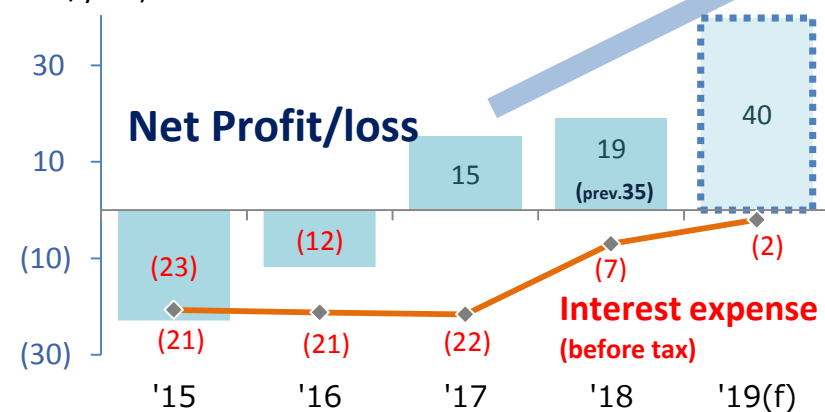
Jan-Jun Jul-Dec

Jan-Jun Jul-Dec

WLTP negatively affected sales volume & profit in FY18 2H & FY19 1H.

Net Profit & Interest Expense

(mil. €/year)

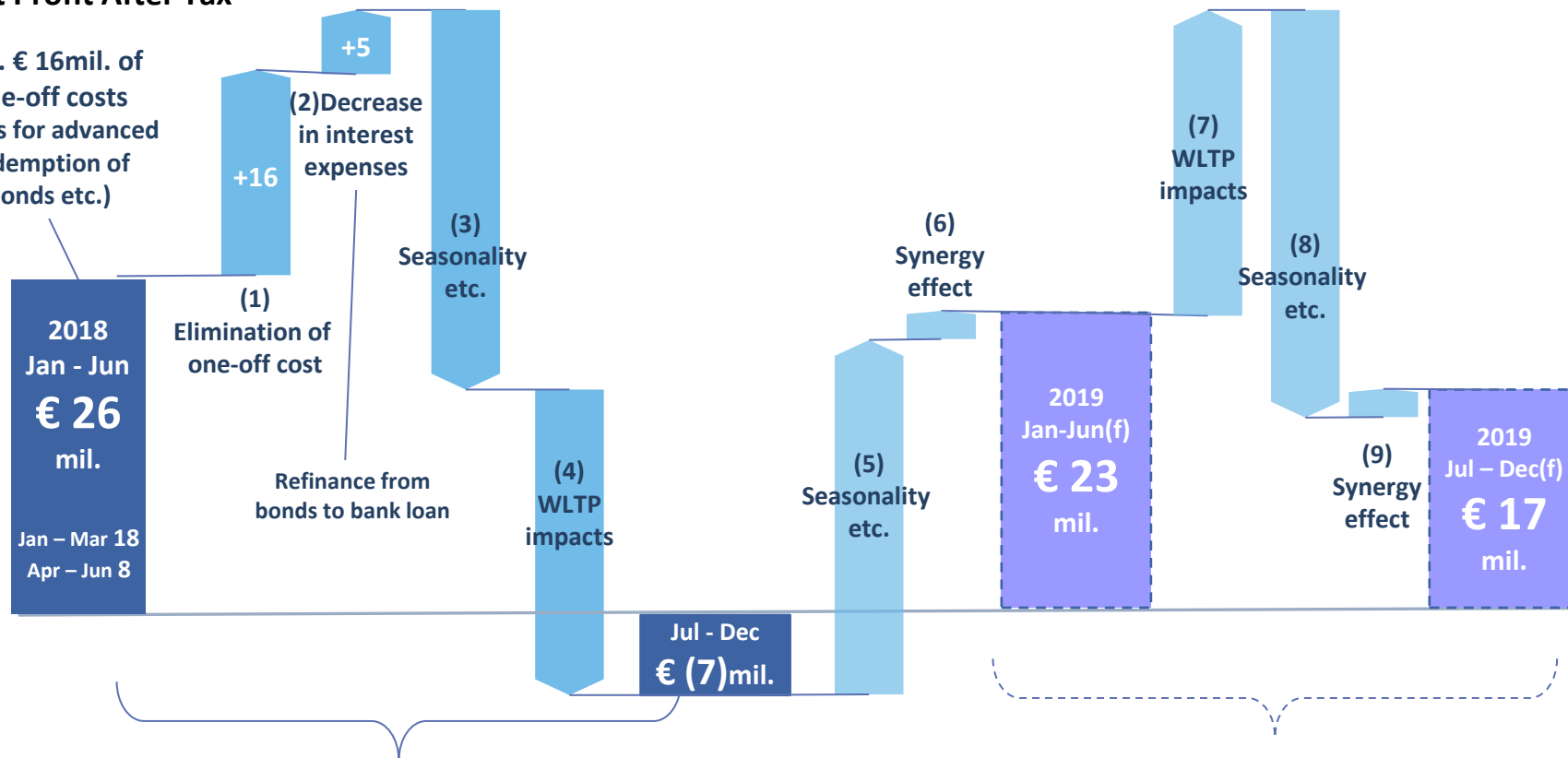


Other Topics

(3) OVAKO FY2018 Result & FY2019 Forecast

Net Profit After Tax

Incl. € 16mil. of one-off costs (Costs for advanced redemption of bonds etc.)



FY2018 Net Profit : € 19 mil.

FY2019 Net Profit (f) : € 40 mil.

Underlying Net Profit excl. one-off cost , plus decrease in interest expenses

≐ JPY 5.0bn

: € 40 mil (19+16+5) ≐ JPY 5.2bn (130JPY/€)

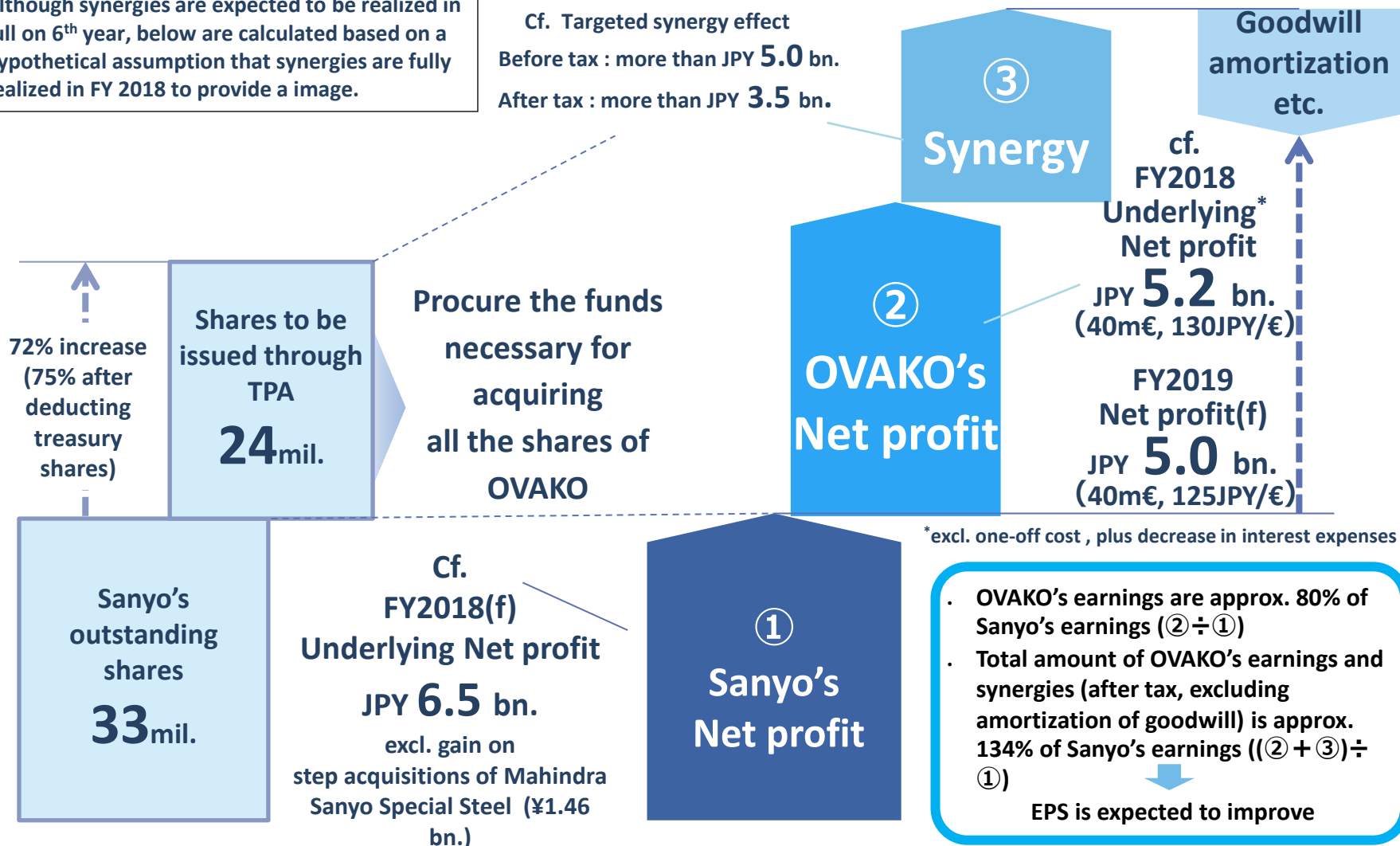
(125JPY/€)

Other Topics

(4) Basic Concept of Impacts on Sanyo's Consolidated Net Profit

Although synergies are expected to be realized in full on 6th year, below are calculated based on a hypothetical assumption that synergies are fully realized in FY 2018 to provide a image.

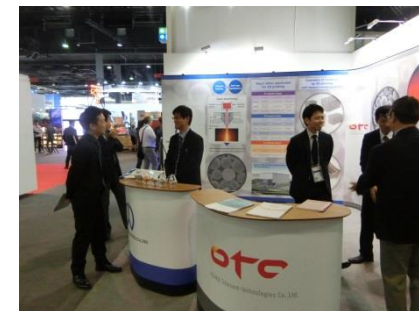
Cf. Targeted synergy effect
 Before tax : more than JPY 5.0 bn.
 After tax : more than JPY 3.5 bn.



Other Topics

(5) Formnext 2018 ~ 13-16 November, 2018 ~

- An international exhibition and conference on the cutting-edge production technologies, centered on 3D printing, was held in Frankfurt, Germany.
- We exhibited jointly with Osaka Titanium Technologies Co., Ltd.
- We displayed metal powders for 3D printing, etc. and have received a lot of inquiries.




(6) Briefing session for individual shareholders ~ January 2019 ~

- We held it so that individual shareholders would gain a better understanding for “Sanyo becoming a subsidiary of NSSMC” and “Ovako becoming a subsidiary of Sanyo” which are scheduled on March 28, 2019.
- 58 individual shareholders attended and we received various questions.





特殊鋼の技術で、
世界の人を支えたい。

グローバルな視点でものづくり。  山陽特殊製鋼株式会社

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(Cautionary Statement)

Business forecasts contained in this document are based on the information available at the time of the release of this document, and actual results may differ from these forecasts due to various factors that may occur in the future.

The business forecasts should not be interpreted as any commitment to or guarantee of future performance.



Santo-kun
(Our mascot)

 **SANYO SPECIAL STEEL**