



Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2020
(April 2019 → December 2019)

 **SANYO SPECIAL STEEL Co., Ltd.**

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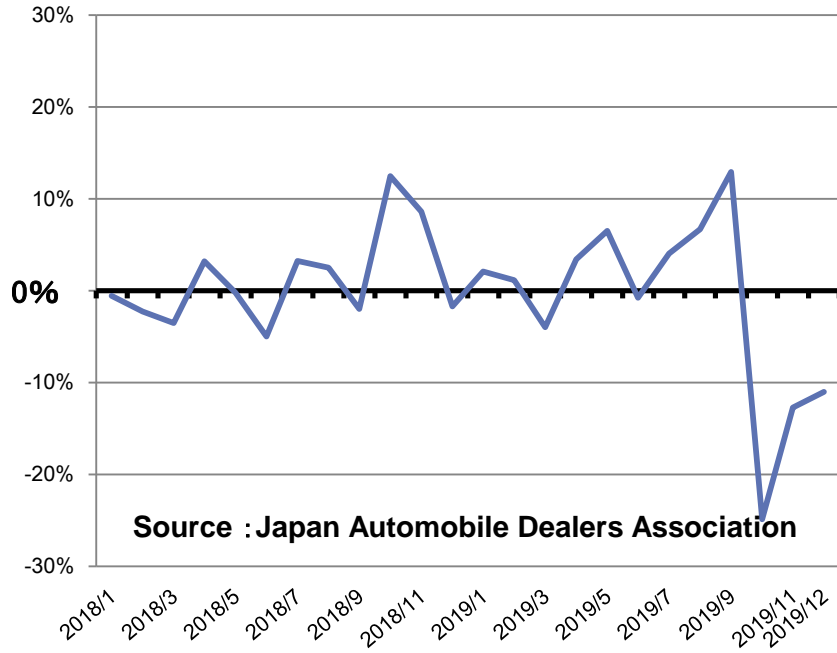
6. Reference

Topics

Trends in Automobile Market

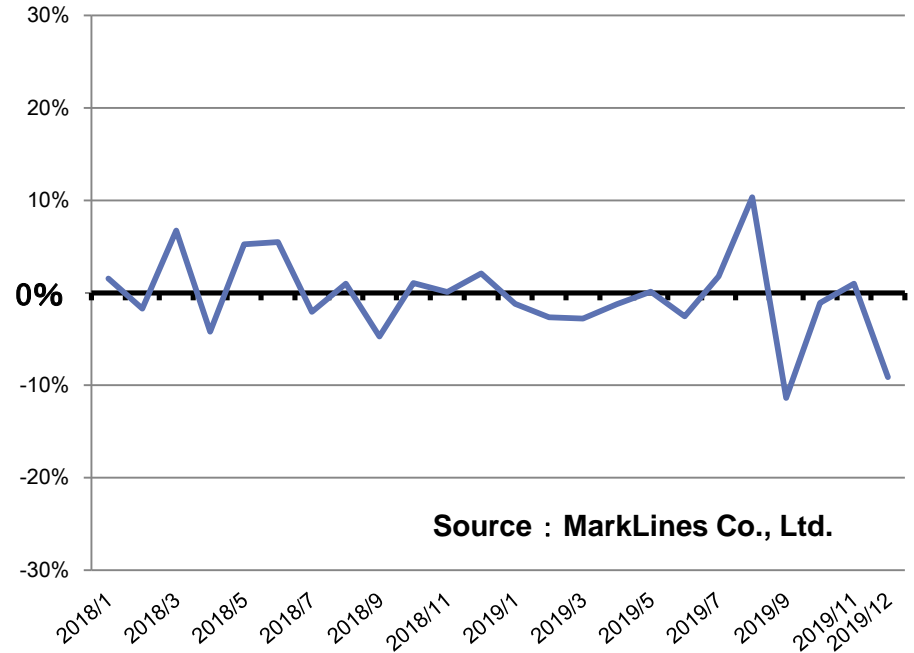
Units of automobile sales in Japan

(Year-on-year rate)



Units of automobile sales in U.S.

(Year-on-year rate)



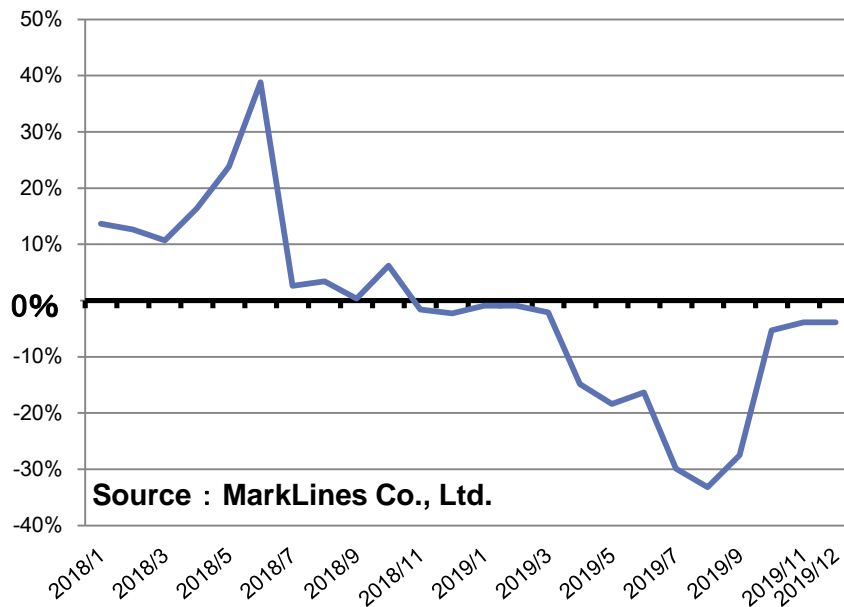
2019/7-9; Demand rush before VAT raise.
 2019/10 ; ▼25% on YoY basis after VAT raise
 and prevailing stagnant sales tendency since then

2018; Stable sales
 2019; Slowing sales due to the effects of labor strike
 and others

Trends in Automobile Market

Units of automobile sales in India

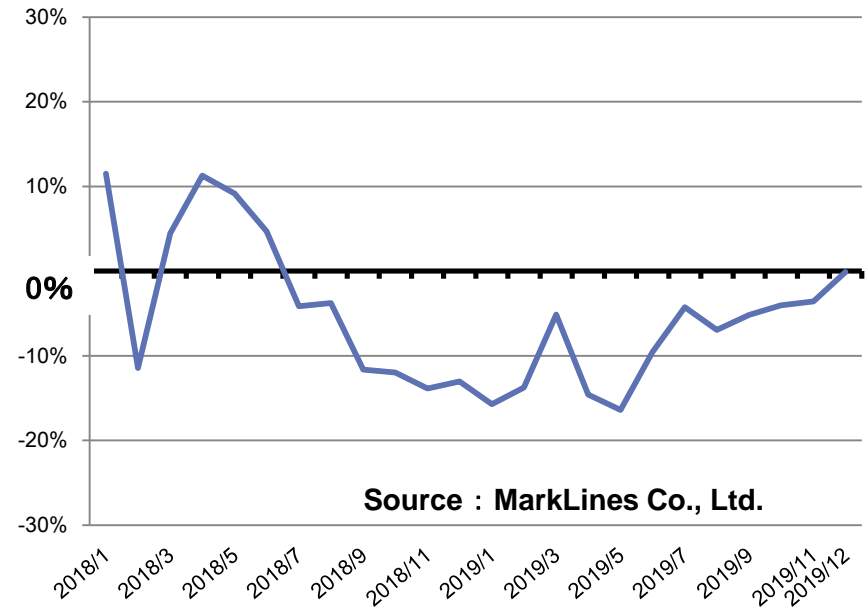
(Year-on-year rate)



Continuous drop since 2018/07 due to;
 a) higher insurance premiums, b) higher fuel prices,
 c) tightening automobile loans, and d) deterioration
 of employment.
 2019/10~ ; easing decline of sales
 2019/12 ; ▼3.9% on YoY basis

Units of automobile sales in China (Factory shipment base)

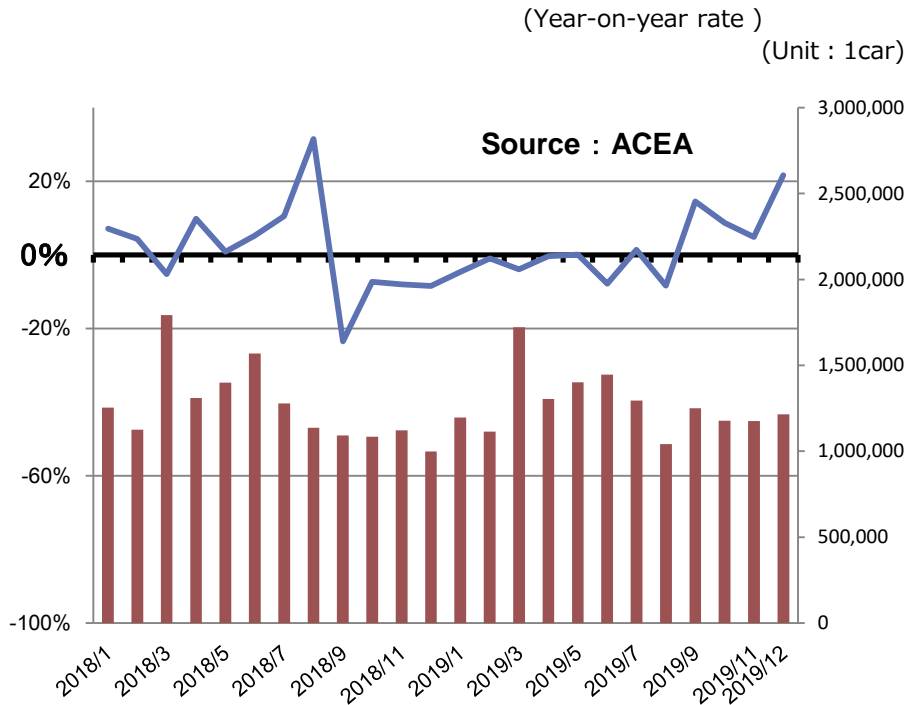
(Year-on-year rate)



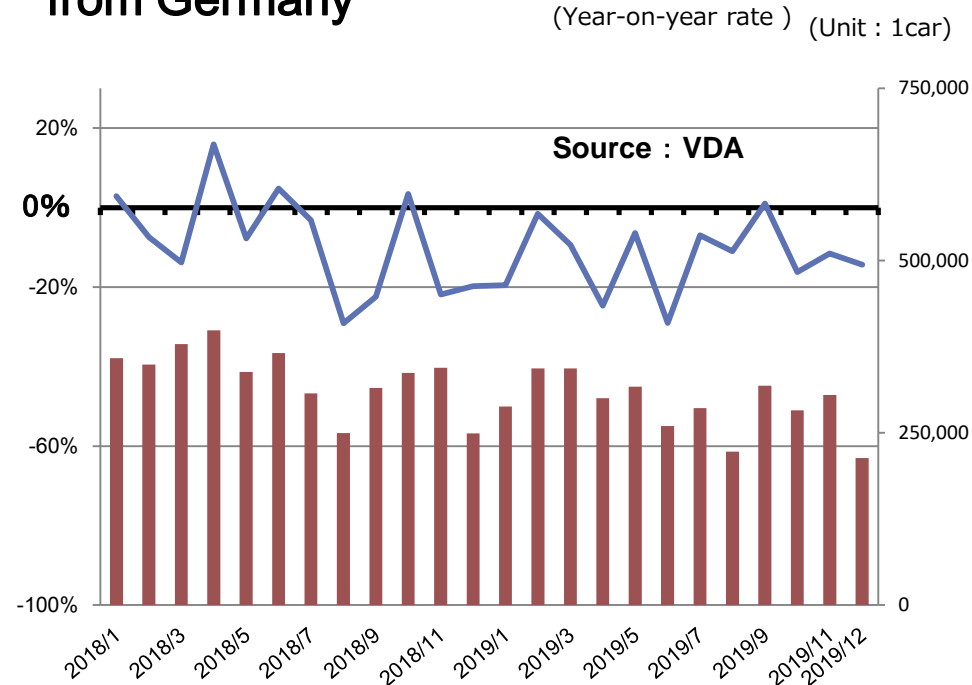
Continuous drop due to; a) the effects of the U.S.-
 China trade dispute, and b) introduction of new
 emission restrictions in urban areas.
 2019 summer ~ ; easing decline of sales

Trends in Automobile Market

Units of automobile sales in Europe



Units of automobile export from Germany

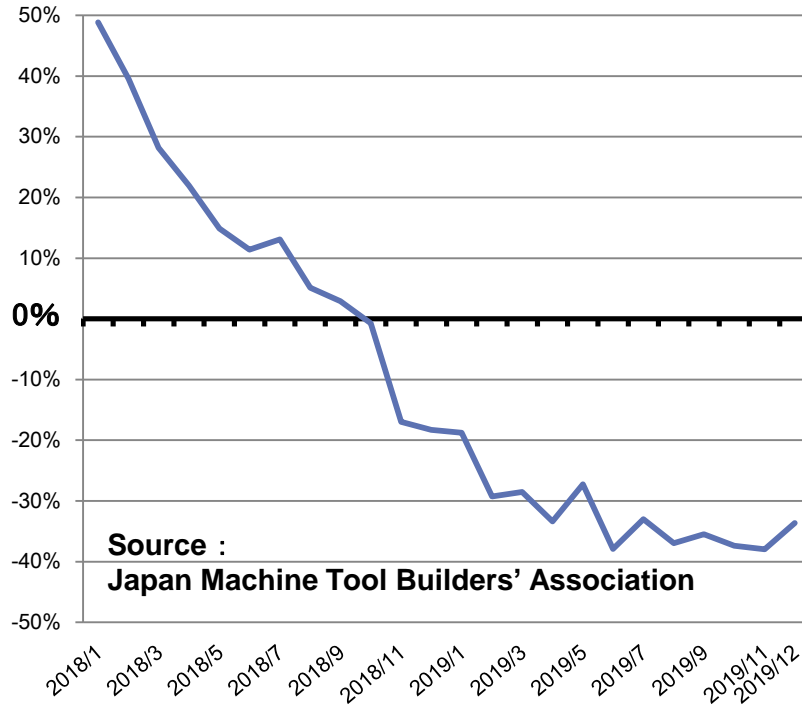


2018/09; Huge fluctuation due to WLTP.
 Stagnate tendency due to concern of Brexit, and U.S.-China trade dispute.
 Sign of recovery from 2019/09 though absolute number of units sold is mediocre.
 2019/12 ; 21.7% increase on YoY basis

Continuous drop due to;
 a) demand decrease in China affected by the U.S.- China trade dispute.
 b) inventory adjustments.
 2019/12 ; ▼ 14.3% decrease on YoY basis

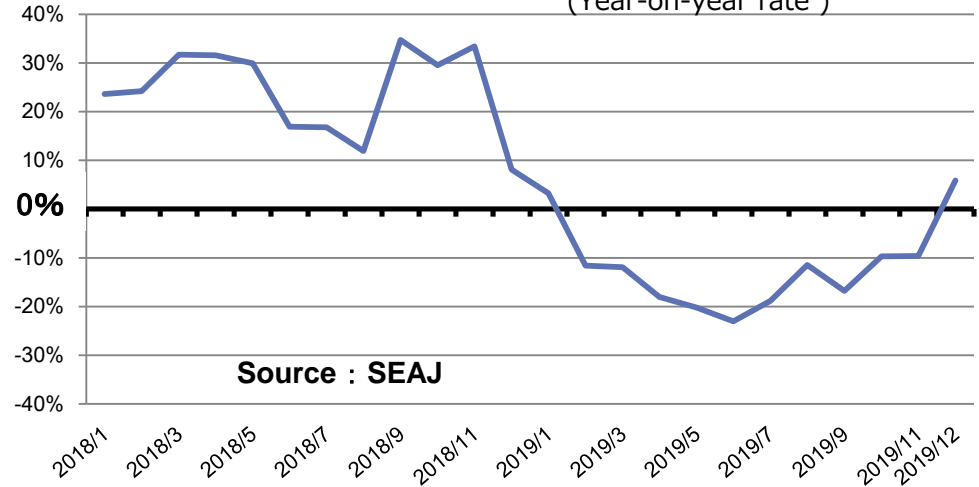
Trends in External Environment

Sales amount of machine tool orders (Japan)
(Year-on-year rate)

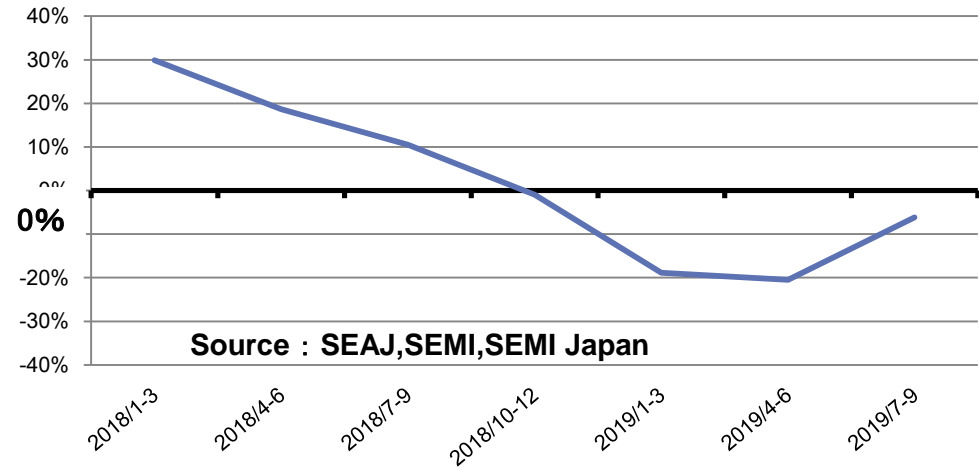


2017 to 2018 1st Half; strong demand due to expanding production of smartphones in China.
2018/10 ~ ; continuous drop due U.S.-China trade dispute, affecting multiple industries.
Drop rate on YoY basis stays around ▼40% in recent months.

Sales amount of semiconductor manufacturing equipment (Japanese equipment)
(3 month moving average)
(Year-on-year rate)



Sales amount of world wide semiconductor equipment
(Year-on-year rate)

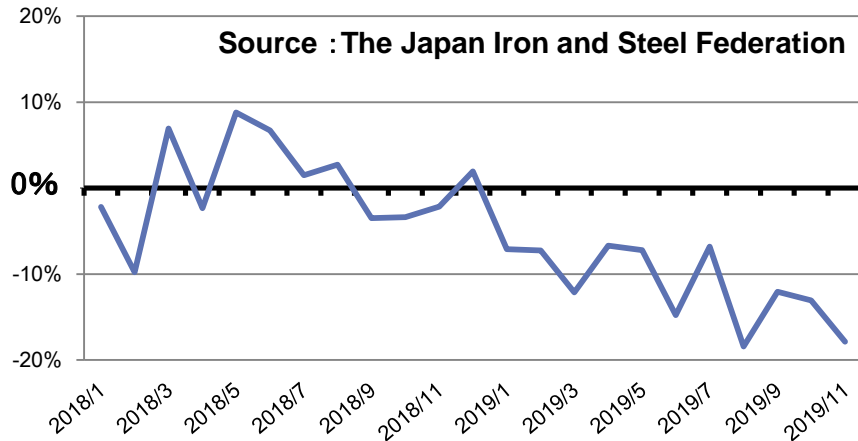


Through 2018; continuous drop due to U.S.-China trade dispute. Drop stopped recently with 5G related demand.

Trends in Special Steel Market

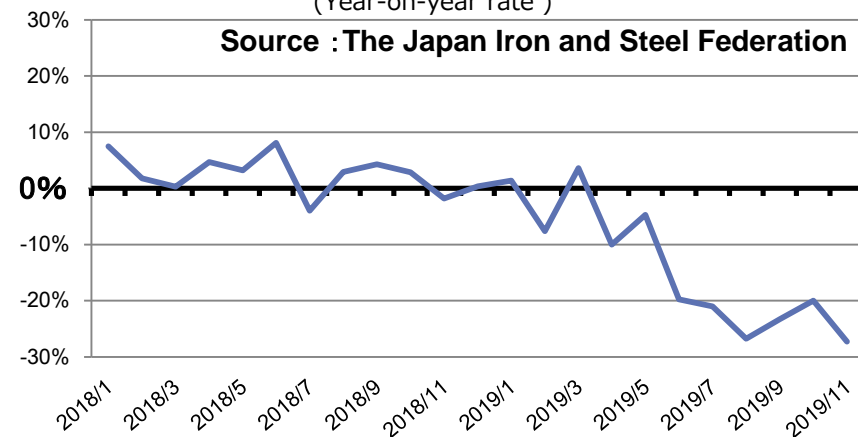
Volume of order booked (Specialty steel products)

(Year-on-year rate)



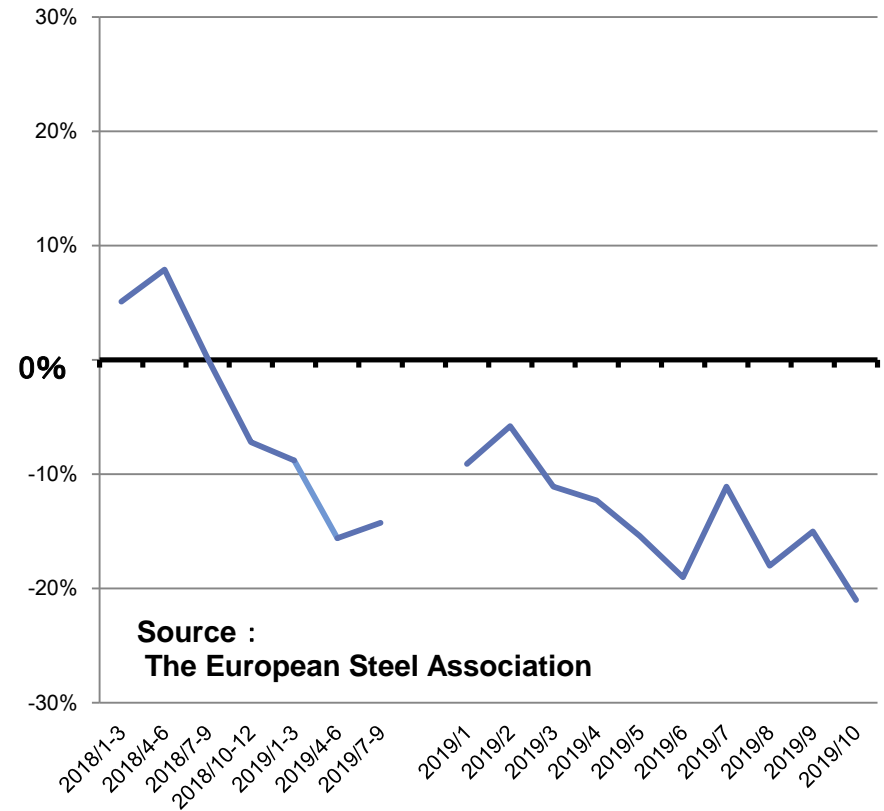
Volume of order booked (Bearing steel)

(Year-on-year rate)



Volume of European deliveries :Bars and Flats / Alloy Engineering Steel

(Year-on-year rate)



Regarding bearing steel, big negative trend due to 1) Sluggish global demand in the domestic automotive, construction machinery, industrial machinery, and semiconductors sectors, and 2) Huge inventory adjustment.

2018/10 ~ ; negative trend due to 1) Sluggish demand in the European automotive sector, and 2) Inventory adjustment in supply chain.

Outline of Statements of Income

(Unit : Billion yen)

	FY19 1~3Q (A)		FY18 1~3Q (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	203.7	100.0	139.2	100.0	+64.5	+46.3
Operating Income	1.5	ROS 0.7	8.2	ROS 5.9	-6.7	-81.5
(Sanyo)	4.1	-	7.6	-	-3.5	-45.8
(Ovako)*1	0.4	-	-	-	+0.4	-
(MSSS)*1,4	-0.6	-	0.0	-	-0.7	-
(Amortization of goodwill)	-2.1	-	-0.2	-	-1.9	-
Ordinary Income	1.1	0.5	8.1	5.8	-7.0	-86.6
Net Income*2	0.0	0.0	7.2	5.2	-7.2	-99.6

Net Income (Structural Basis)*3	2.2	1.1	5.9	4.3	-3.8	-63.5
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Sales Volume (Thousands of ton)	1,283	142.6 /month	881	97.9 /month	+402	+44.7 /month
(Sanyo)	682	75.8 /month	802	89.1 /month	-120	-13.4 /month
(Ovako)	526	58.4 /month	-	-	+526	+58.4 /month
(MSSS)*4	75	8.4 /month	79	13.1 /month	-3	-4.8 /month

*1 The consolidated accounting period for Ovako and MSSS is Jan 2019 to Dec 2019 *2 Profit attributable to owners of parent

*3 Adjusted by following transactions *4 Figure(t/month) are for FY18 2~3Q (MSSS was consolidated in FY18/2Q)

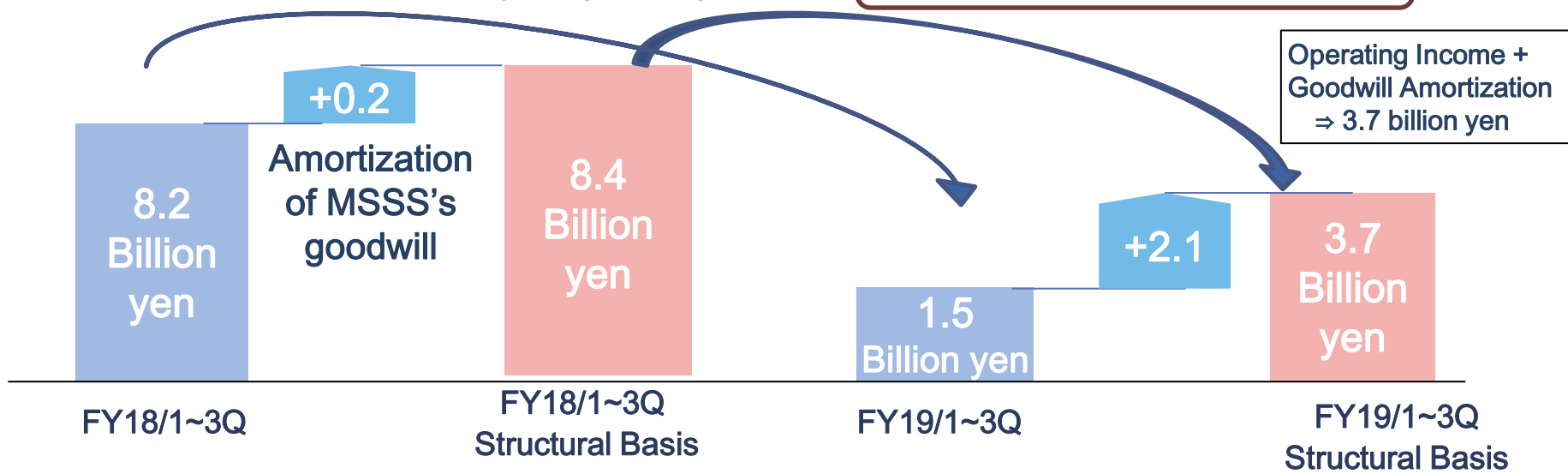
FY19 1~3Q : Net Income + Goodwill amortization (2.2=0.0+2.1 billion yen)

FY18 1~3Q : Net Income – Gain on step acquisition of MSSS+ Goodwill amortization (5.9=7.2 –1.3 billion yen)

Income (Structural Basis) FY18 1~3Q vs. FY19 1~3Q

Operating Income -6.7billion yen (-81%)

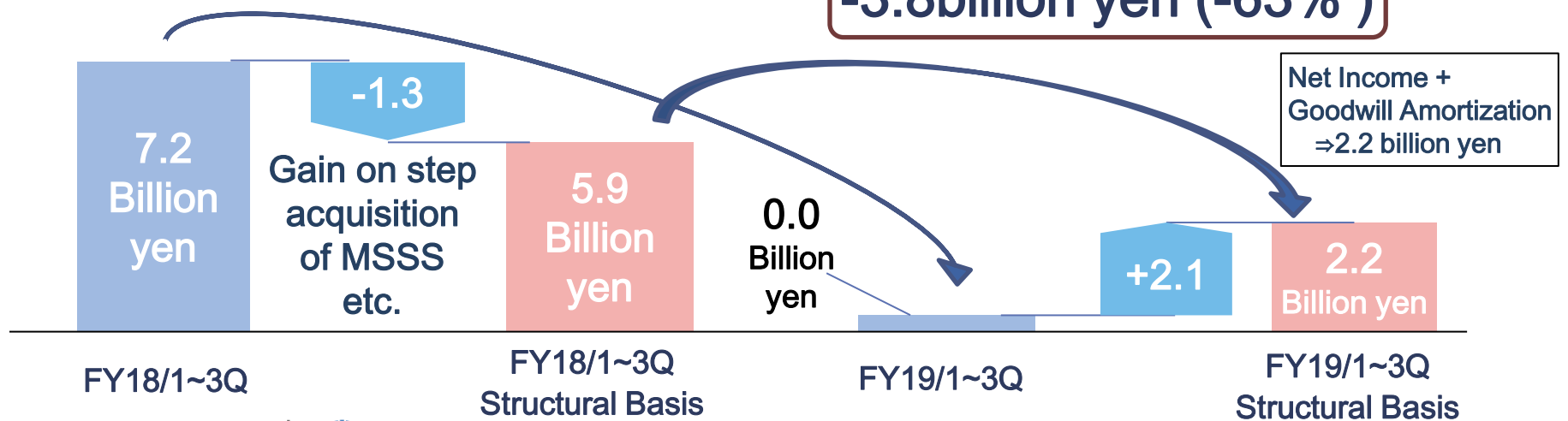
-4.8billion yen (-57%)



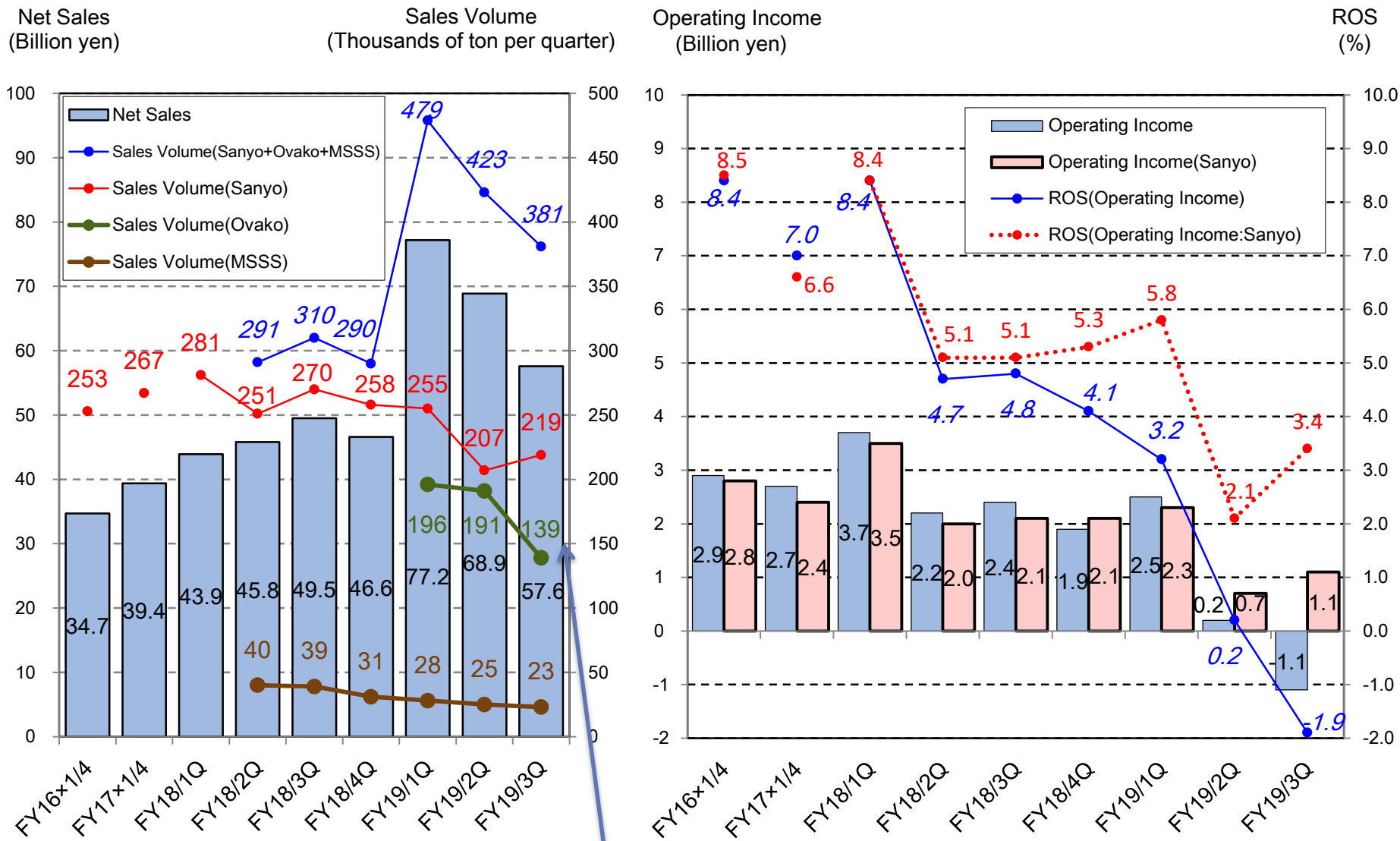
Net Income

-7.2billion yen (-99%)

-3.8billion yen (-63%)



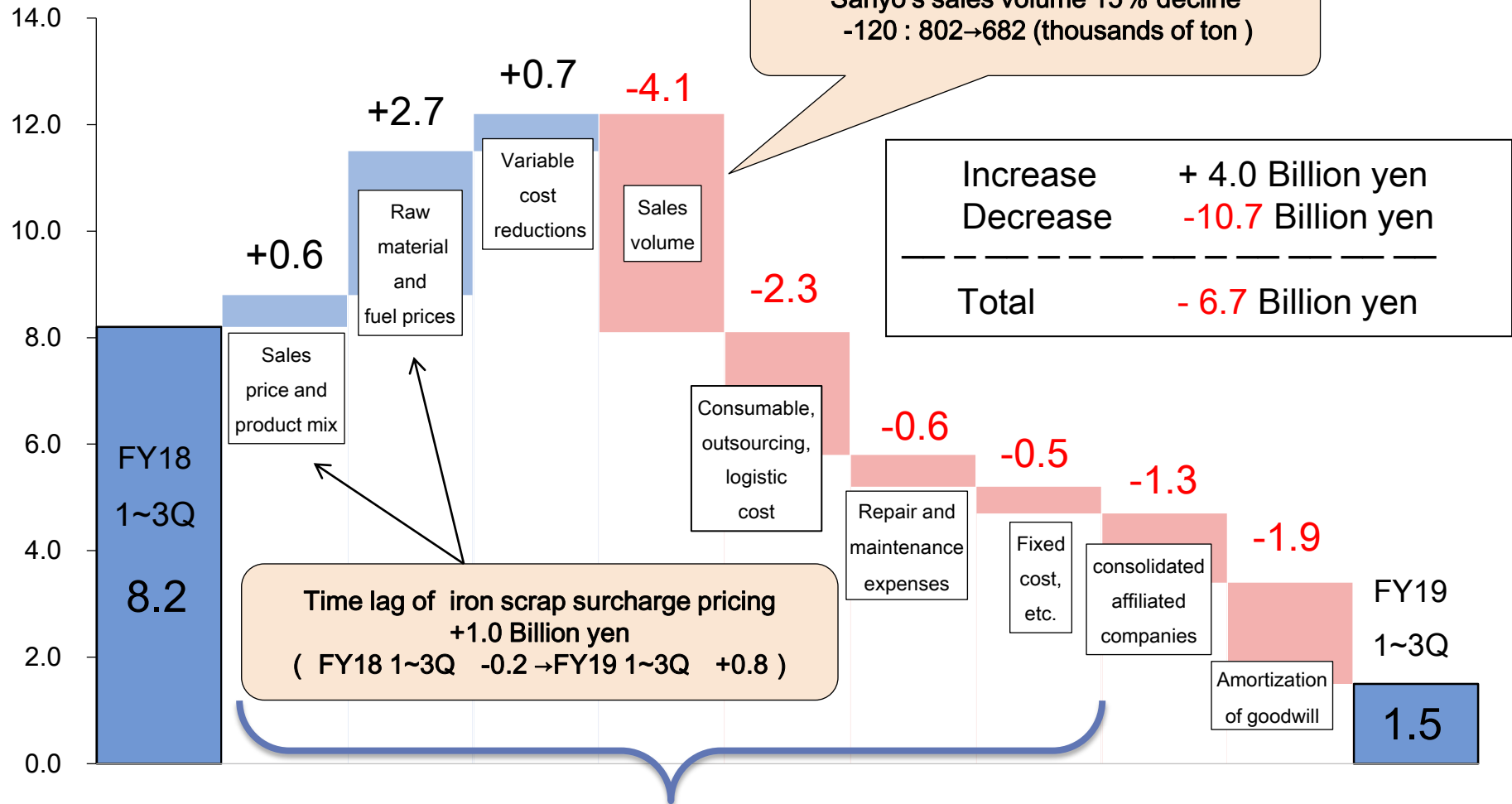
Net Sales and Income (quarterly)



Sales volume decline of OVAKO due to summer shut down.

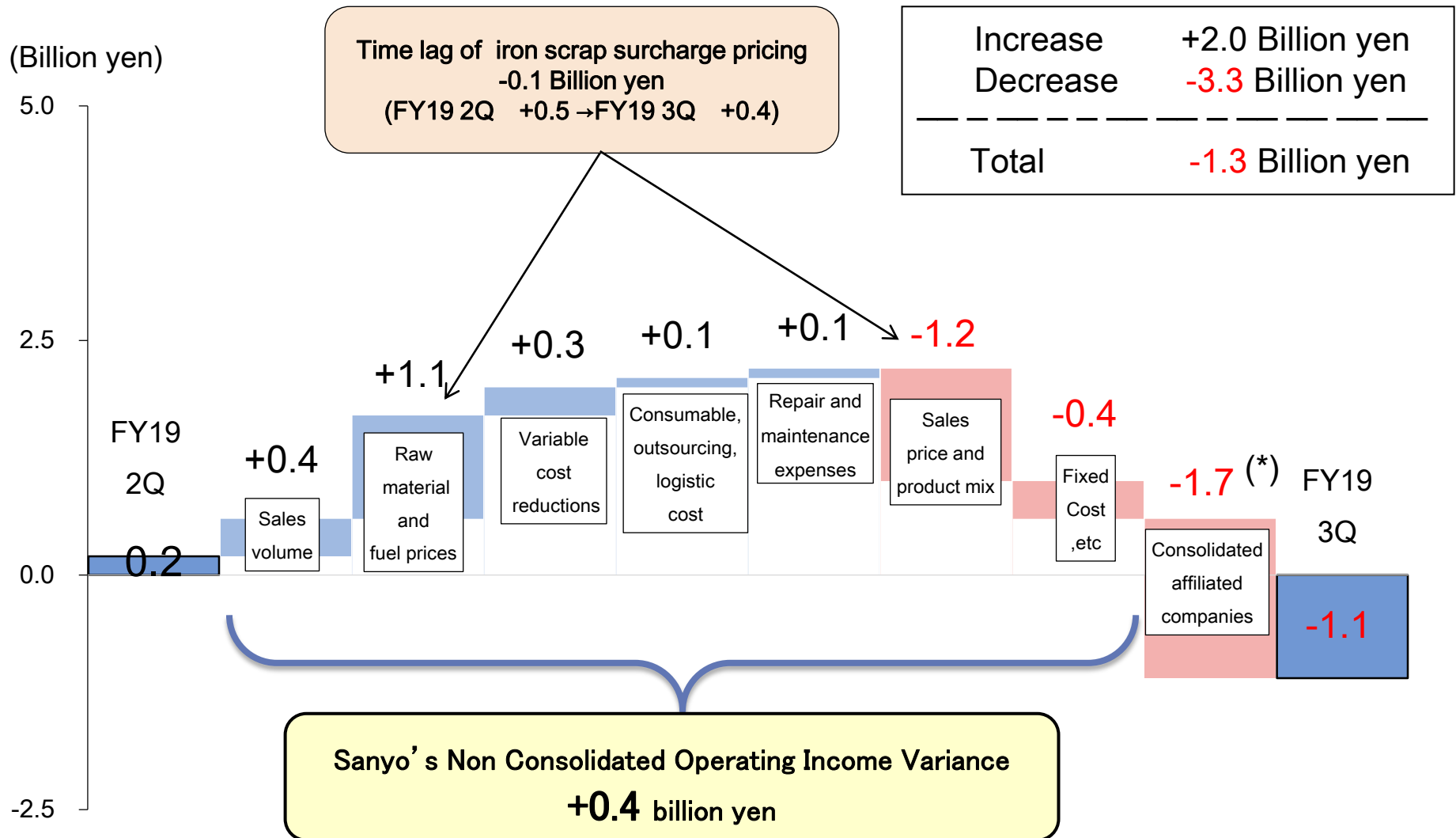
Operating Income Variance Analysis (FY18 1~3Q to FY19 1~3Q)

(Billion yen)



Sanyo's Non Consolidated Operating Income Variance
-3.5 billion yen

Operating Income Variance Analysis (FY19 2Q → FY19 3Q)



(*) Including Ovako's Operating Income Variance -1.8 billion yen

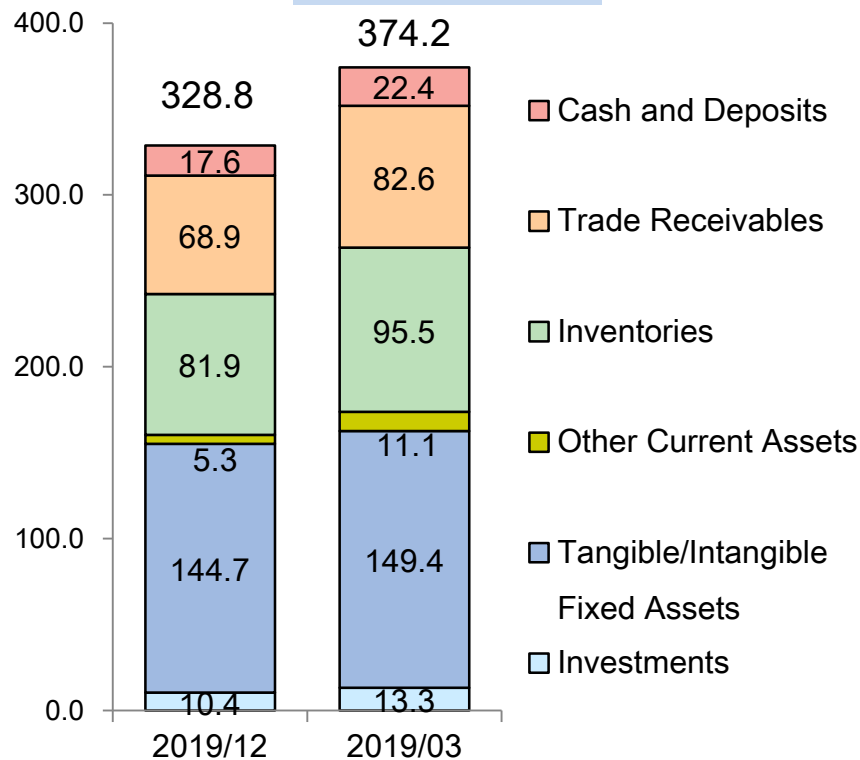
Earnings by Business Segment

(Unit : Billion yen)

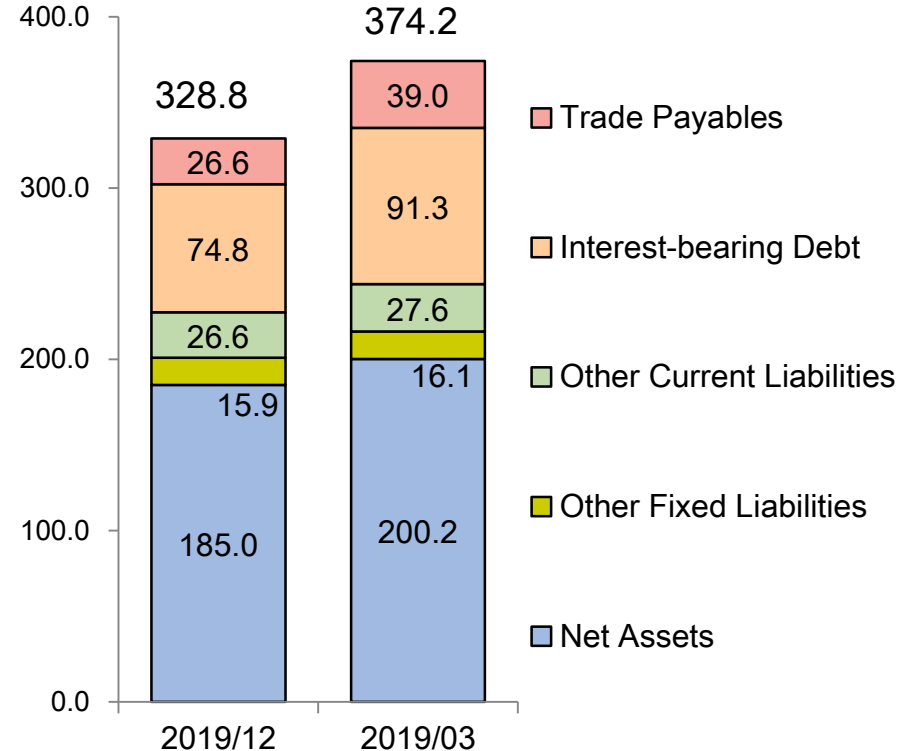
	FY19 1~3Q (A)			FY18 1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	193.5	1.1	0.6	127.4	6.9	5.4	+66.1	-5.7	-4.8
Metal Powders	3.2	0.2	5.0	3.7	0.6	15.7	-0.6	-0.4	-10.7
Formed and Fabricated Materials	13.4	0.2	1.1	15.2	0.7	4.4	-1.9	-0.5	-3.3
Sub-total	210.0	1.4	0.7	146.3	8.1	5.6	+63.7	-6.7	-4.9
Other	1.2	0.0	3.1	1.1	0.0	2.4	+0.1	+0.0	+0.7
Adjustments	-7.5	0.0	-	-8.2	0.1	-	+0.7	-0.0	-
Consolidated Total	203.7	1.5	0.7	139.2	8.2	5.9	+64.5	-6.7	-5.2

Balance Sheets

(Billion yen)



(Billion yen)



Major changes in Assets - 45.4 billion yen (-12%)

Cash and Deposits - 4.8
 Trade Receivables - 13.6
 Inventories - 13.6
 Intangible Fixed Assets (mainly goodwill) - 6.2

【Total amount of goodwill 36.3 ← 42.4 billion yen】

Major changes in Liabilities and Net Assets - 45.4 billion yen (-12%)

Trade Payables - 12.4
 Interest-bearing Debt - 16.5
 Net Assets - 15.2

(Reference) Assets of Sanyo, Ovako and MSSS (non consolidated basis)

Sanyo 258.5 billion yen Ovako 84.9 billion yen
 MSSS 16.2 billion yen

Equity Ratio	2019/12	2019/03
	55.1%	52.3%

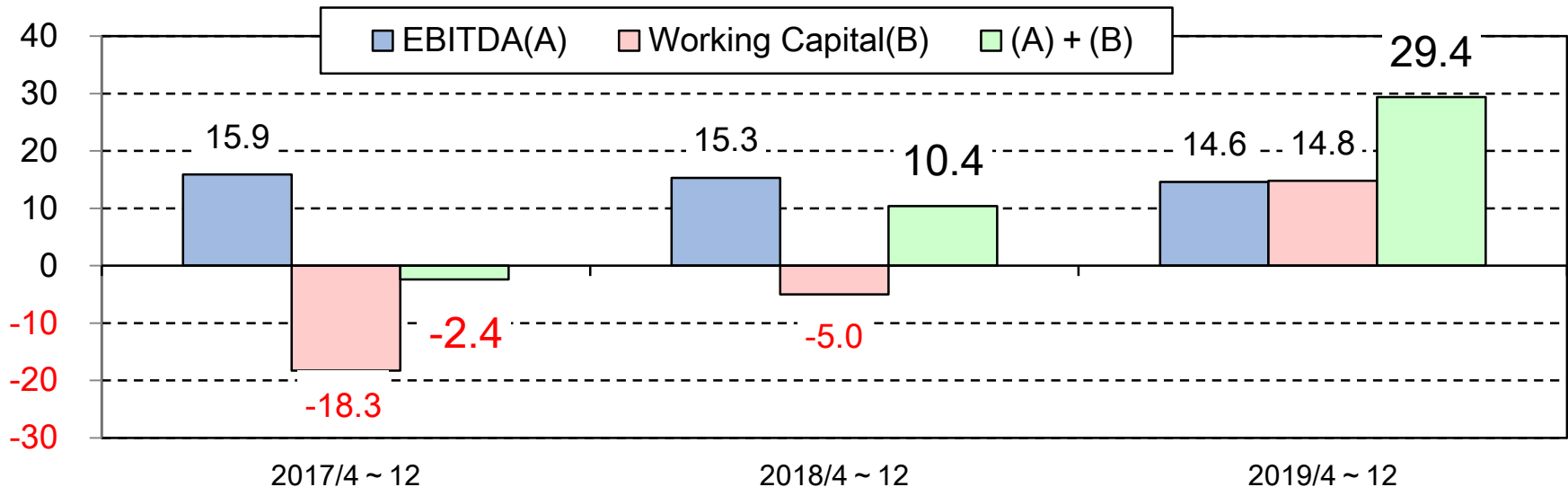
Cash flows from operating activities (Simplified method)

(Unit : Billion yen)

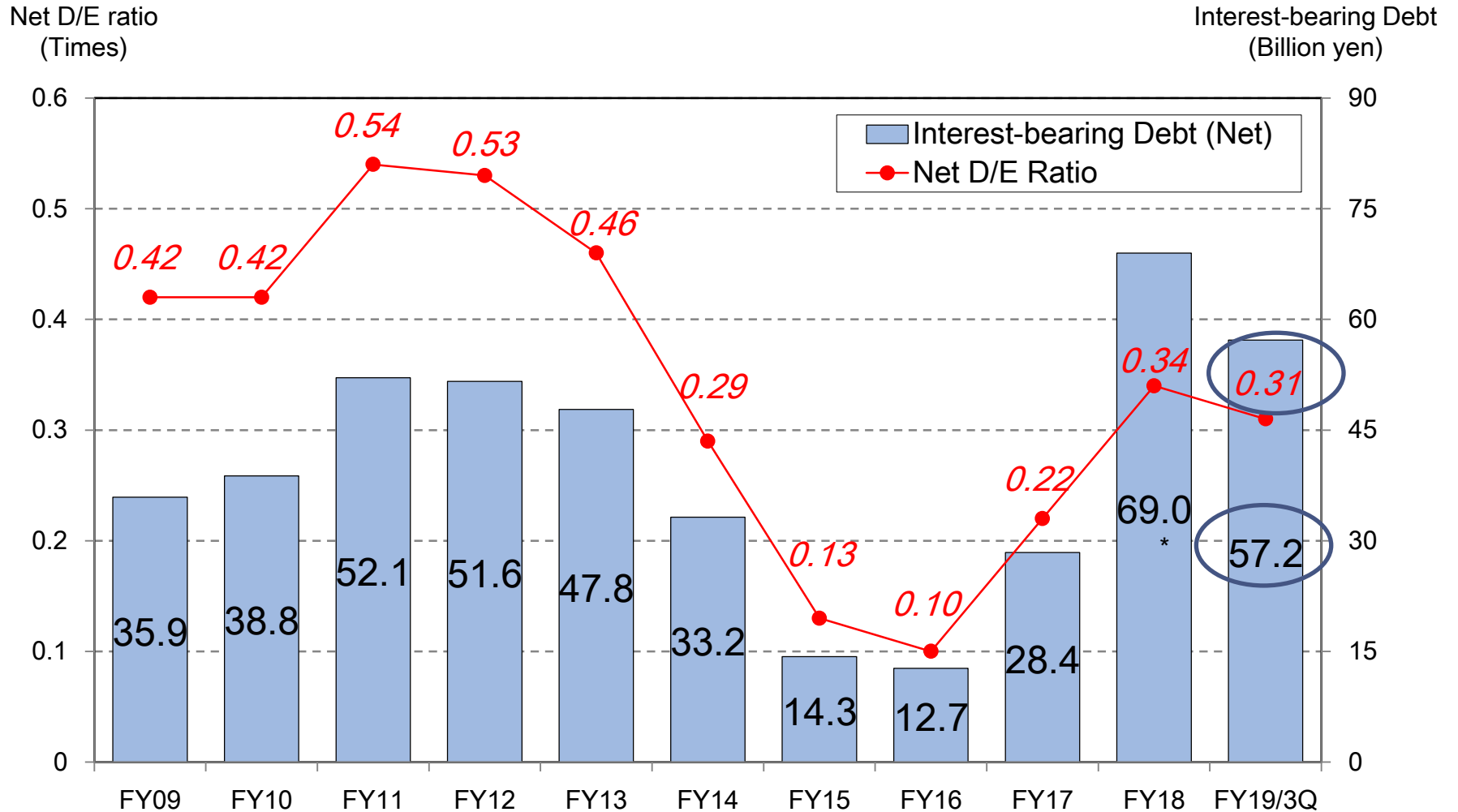
	2017/4 ~ 12	2018/4 ~ 12	2019/4 ~ 12
EBITDA···(A)	15.9	15.3	14.6
(Operating Income)	(9.2)	(8.2)	(1.5)
(Depreciation)	(6.6)	(6.9)	(11.0)
(Amortization of goodwill)	(-)	(0.2)	(2.1)
Working Capital (*)···(B)	-18.3	-5.0	14.8
(A) + (B)	-2.4	10.4	29.4

(*) Trade Receivables + Inventories – Trade Payables excluding new consolidation effects

(Billion yen)



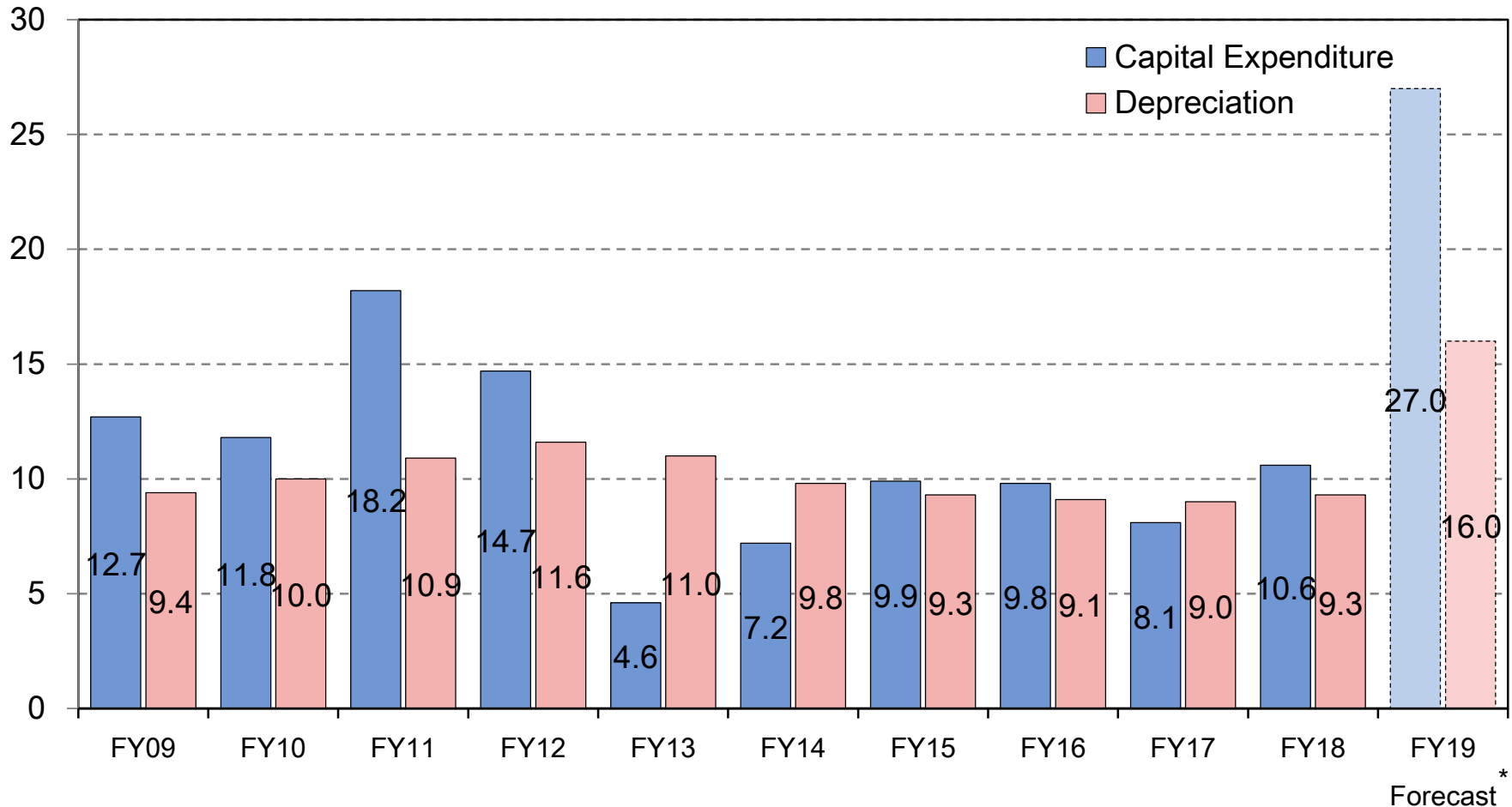
D/E Ratio



* Interest-bearing Debt(Net) of 69.0 billion yen in FY18 includes 33.6 billion yen for Ovako and 2.8 billion yen for MSSSPL respectively.

(Reference) Capital Expenditure and Depreciation

(Billion yen)



*Capital Expenditure of 27.0 billion yen in FY19 includes 1) 13.2 billion yen for Sanyo Factory Renovation to resolve bottlenecks at No.2 Bar & Wire Rod Mill, 2) 4.8 billion yen for Ovako and 3) 0.7 billion yen for MSSS.
 Depreciation of 16.0 billion yen in FY19 includes 1) 5.4 billion yen for Ovako and 2) 0.5 billion yen for MSSS.

Revision of Business Forecast for FY19

(Unit : Billion yen)

	Revised forecast (A)			Previous forecast (B)			Change(B) → (A)		
	FY19 1st Half	FY19 2nd Half	FY19	FY19 1st Half	FY19 2nd Half	FY19	FY19 1st Half	FY19 2nd Half	FY19
Net Sales	146.1	113.9	260.0	146.1	130.9	277.0	-	-17.0	-17.0
Operating Income	2.6	-4.5	-1.9	2.6	1.4	4.0	-	-5.9	-5.9
(Sanyo)	3.0	0.1	3.1	3.0	5.0	8.0	-	-4.9	-4.9
(Ovako) *1	1.7	-2.3	-0.6	1.7	-1.7	0.0	-	-0.6	-0.6
(MSSS) *1	-0.4	-0.5	-0.9	-0.4	-0.5	-0.9	-	-	-
(Amortization of goodwill) *2	-1.5	-1.4	-2.9	-1.5	-1.5	-3.0	-	+0.1	+0.1
Ordinary Income	2.2	-4.5	-2.3	2.2	0.8	3.0	-	-5.3	-5.3
Net Income	1.4	-4.2	-2.8	1.4	0.2	1.6	-	-4.4	-4.4
Net Income (Structural Basis) *3	2.9	-2.8	0.1	2.9	1.7	4.6	-	-4.5	-4.5
<i>Sales Volume</i> (Thousands of ton)	902	714	1,616	902	823	1,725	-	-109	-109
(Sanyo)	463	392	855	463	478	941	-	-86	-86
(Ovako)	387	280	667	387	298	685	-	-18	-18
(MSSS)	52	42	94	52	47	99	-	-5	-5

*1 The consolidated accounting period for Ovako and MSSS is January to December.

*2 Amortization of goodwill related to Ovako and MSSS.

*3 Adjusted by following transactions

FY19 Revised(f) : Net Income + Goodwill amortization (0.1= -2.8+2.9 billion yen)

FY19 Previous(f) : Net Income + Goodwill amortization (4.6= 1.6+3.0 billion yen)

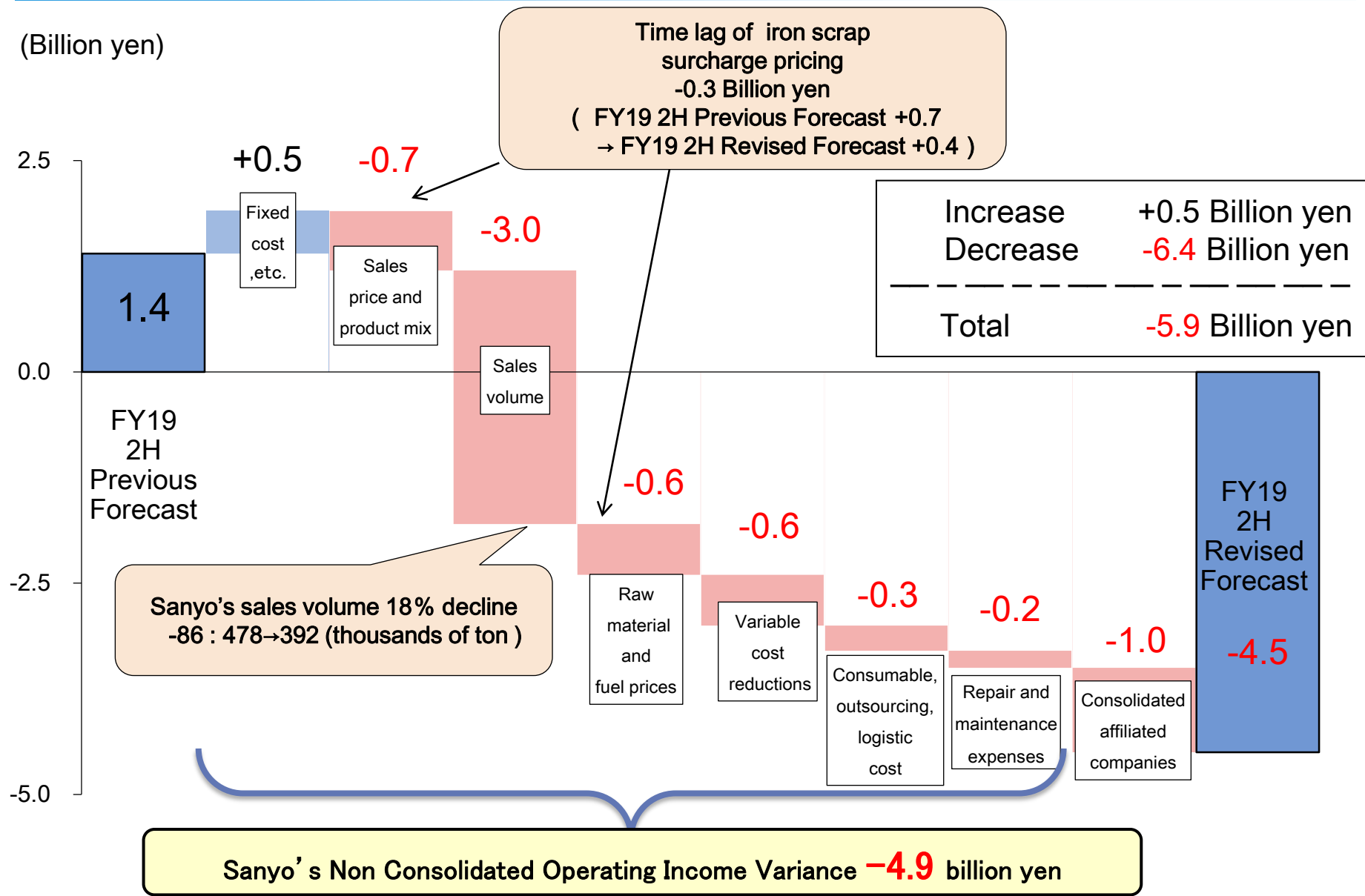
*4 Previous forecast is as of October 30, 2019.

Major assumptions after January 2020

- Scrap iron 23,000 yen/t
(H2 market price in Himeji area)
- Crude oil(Dubai) 65\$/BL
- Exchange rate 110 yen/US\$, 120 yen/€

Operating Income Variance Analysis (Previous FY19 2H Forecast → Revised FY19 2H Forecast)

(Billion yen)



Review of performance <Sanyo>

Overview of FY 2019

- U.S.-China trade dispute
- Slowing emerging economies
- Uncertainty of Brexit

Acceleration of inventory adjustment in customer industry

- Machine tool
- Robot
- Semiconductors

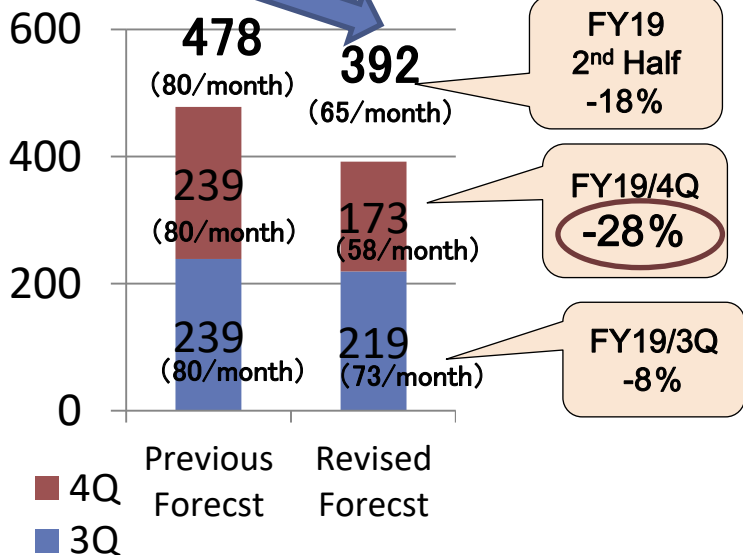


- Automotive
- Industrial machinery
- Construction machinery

Sanyo's sales orders has been decreasing.

Persisting Inventory adjustments by customers, and continuing low order trend of Sanyo.

Sanyo's sales volume analysis(thousands of ton)



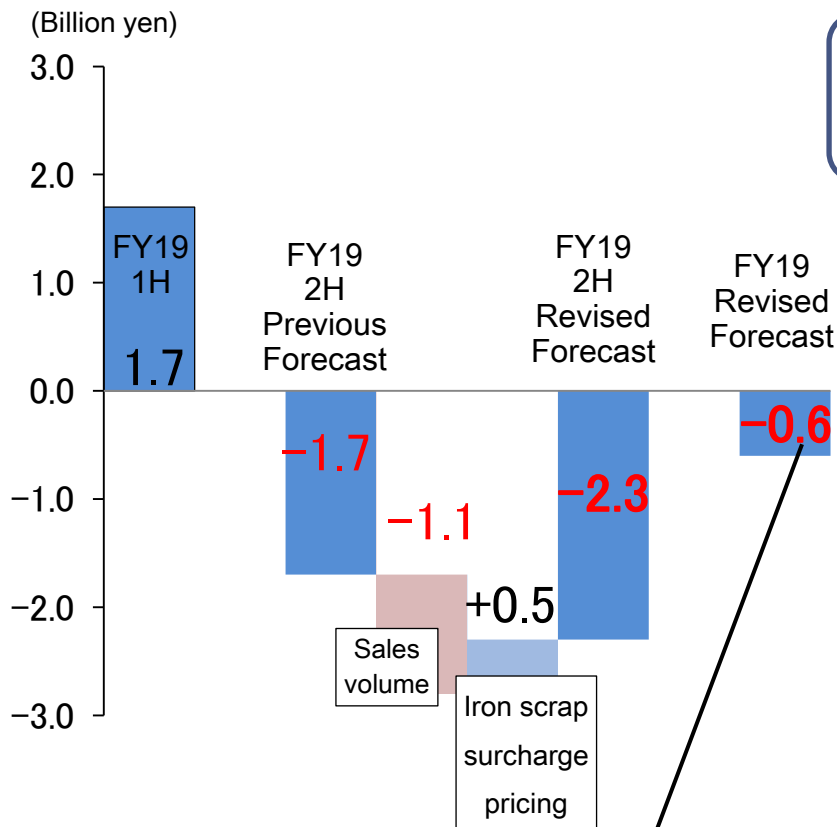
Profit improvement measures and actions

- Promoting sales expansion activities for potential sales orders
- Reducing unprofitable products and expanding high profitable product sales
- Optimum production and cost minimum operation
- Implementing emergency profit improvement measures (described later)

Headquarter : Stockholm, Sweden Manufacture and sale of special steel, steel pipes, rings, etc. with plants in Sweden and Finland & Our affiliated company since March 2019

Operating Income Variance Analysis

Previous Forecast 2nd Half (-1.7)
 → Revised Forecast 2nd Half (-2.3)(-0.6)



Include time lag of iron scrap surcharge pricing - 0.6 billion yen

Overview of FY 2019

- US-China trade dispute
- Uncertainty of Brexit

- Slowdown of EU economy
- Deterioration in business confidence

- WLTP effect
- Inventory adjustment in the supply chain

- EU special steel demand plunge (2018/10-)

<Changes from previous forecast>

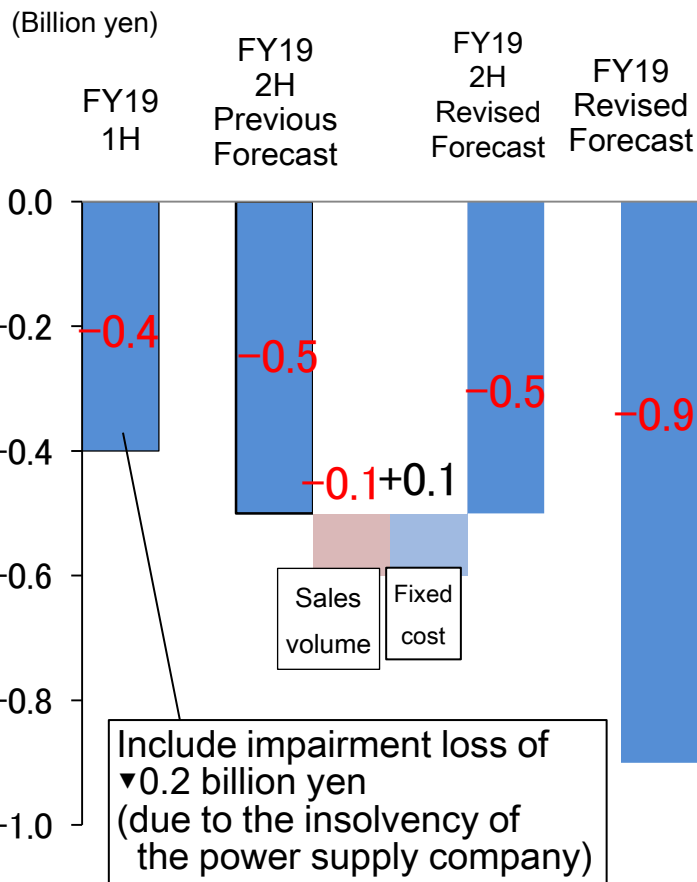
Sales volume	Unexpected decline of demand Sales -6%/ -18 ; 298→280 (thousands of ton)
Iron scrap surcharge pricing	Declines due to increase of iron scrap prices. (Time lag)

Profit improvement measures and actions

- Reduction of fixed cost, mainly by optimizing number of personnel
- Maximizing synergies among 3 companies
 - a) Sales promotion activities
 - b) Reduction of operational cost
 - c) Reduction of procurement cost

Operating Income Variance Analysis

Previous Forecast 2nd Half (-0.5)
 → Revised Forecast 2nd Half (-0.5)(0.0)



Overview of FY 2019

Domestic car sales in India
 Since 2018/11 YonY negative trend
 2019/08 YonY ▼30%

2019/10~12 easing sales decline
 → Huge inventory adjustment expected to end soon

MSSS's sales volume will recover

<Changes from previous forecast>

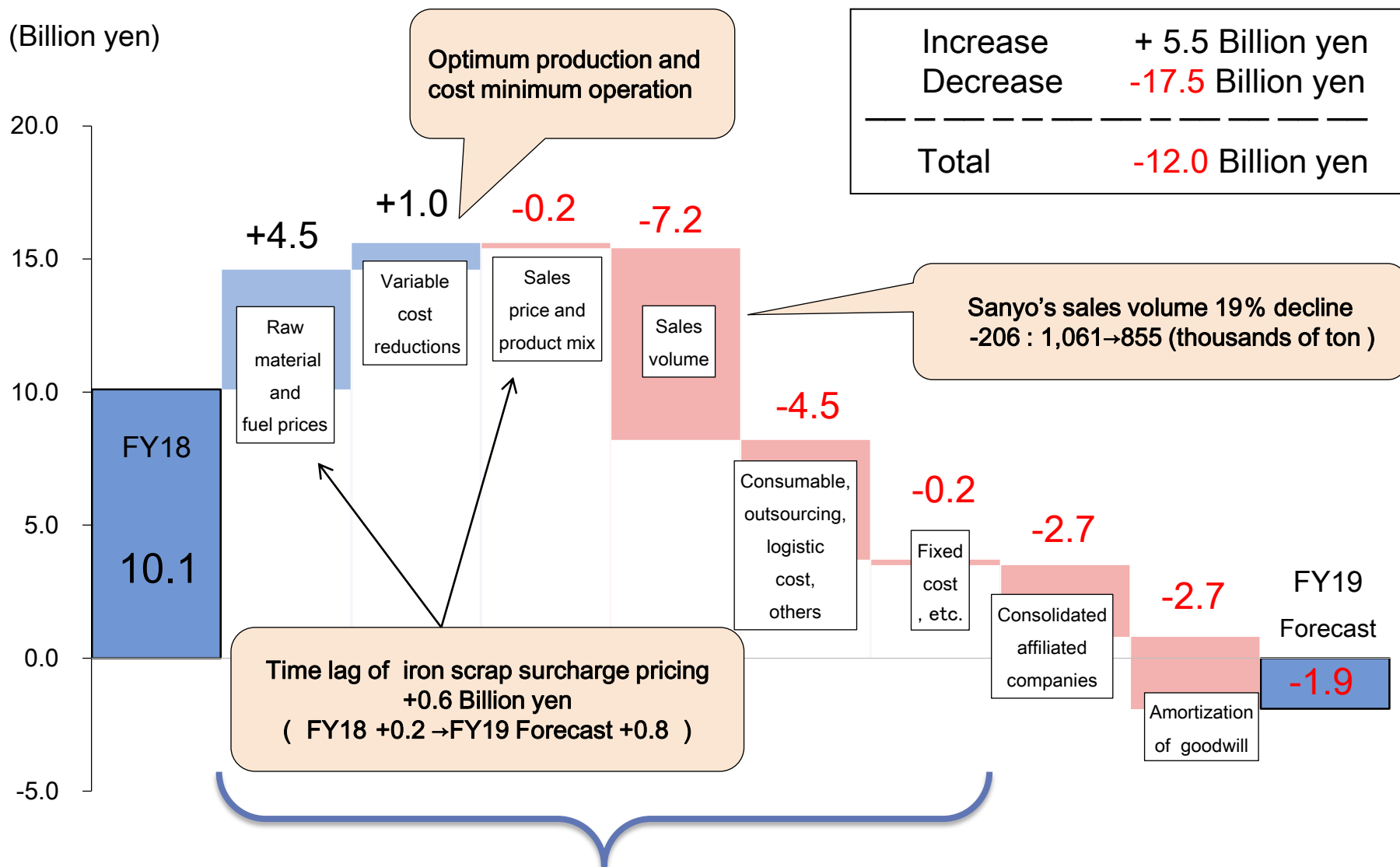
Sales volume	Sales -11% -5 ; 47→42 (thousands of ton)
Fixed cost	Decrease in labor and depreciation costs

Profit improvement measures and actions

- Shipment of 2,600 tons for National railways starts in 2020/02. (Total order size 25,000t)
- Increasing orders of high-margin products through expansion of sales network etc.
- Reducing operating cost by improving energy intensity and efficiency, and reducing procurement cost by use of Chinese electrodes.
- Reducing labor and outsourcing costs by optimizing number of personnel.

Operating Income Variance Analysis (FY18 → FY19 Forecast)

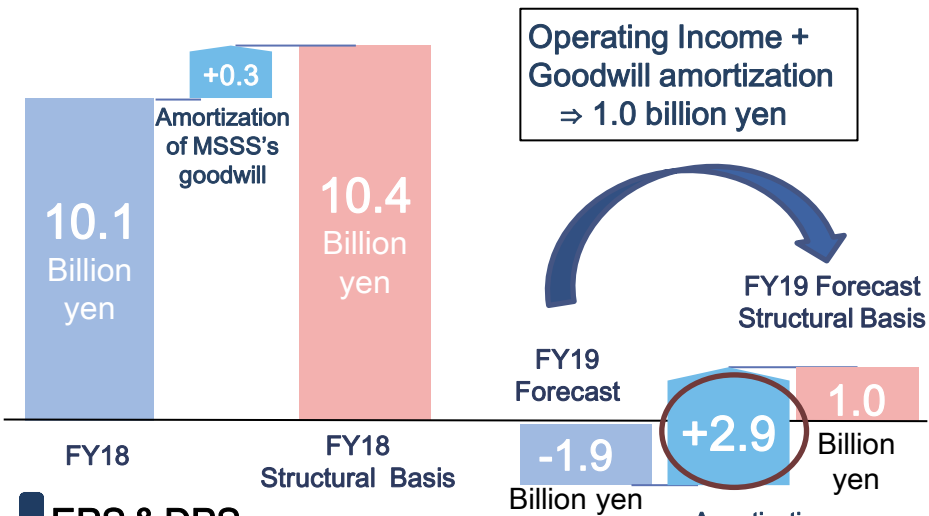
(Billion yen)



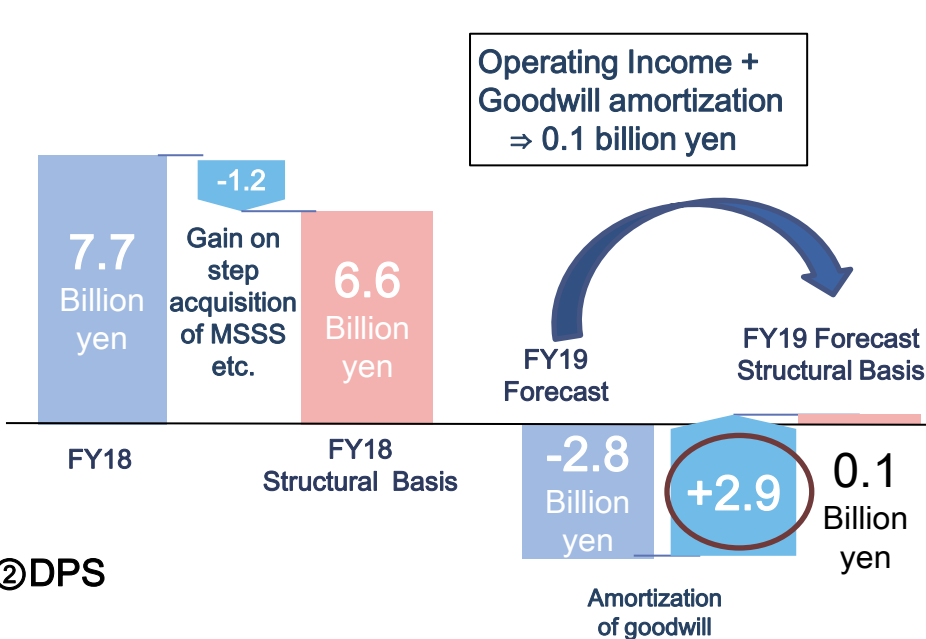
Sanyo's Non Consolidated Operating Income Variance -6.6 billion yen

Income (Structural Basis) FY18 vs. FY19 Forecast

Operating Income

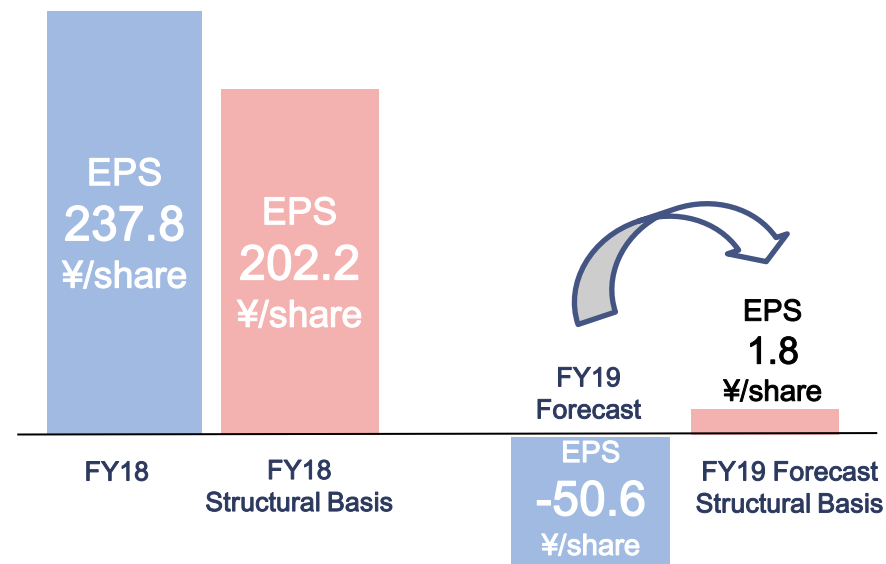


Net Income

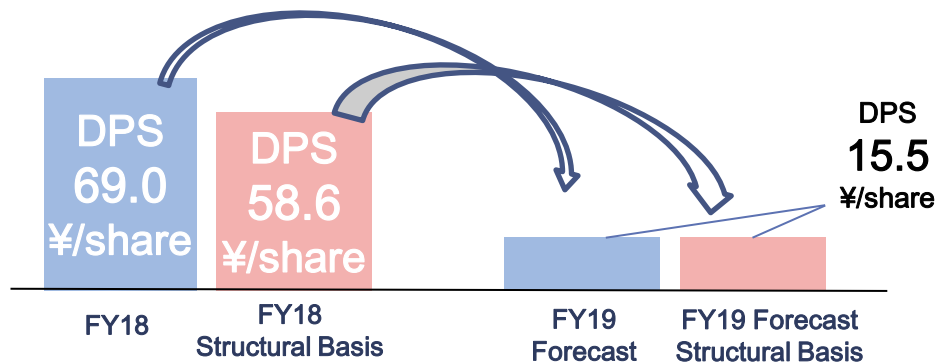


EPS & DPS

① EPS



② DPS



Dividend for FY19

Year-end dividend forecast for FY19

Sanyo expects to result in a net loss for the second half of the fiscal year ending March 31, 2020, on consolidated basis. Although greatly regrettable, Sanyo has decided to revise its year-end dividend forecast to non-dividend.

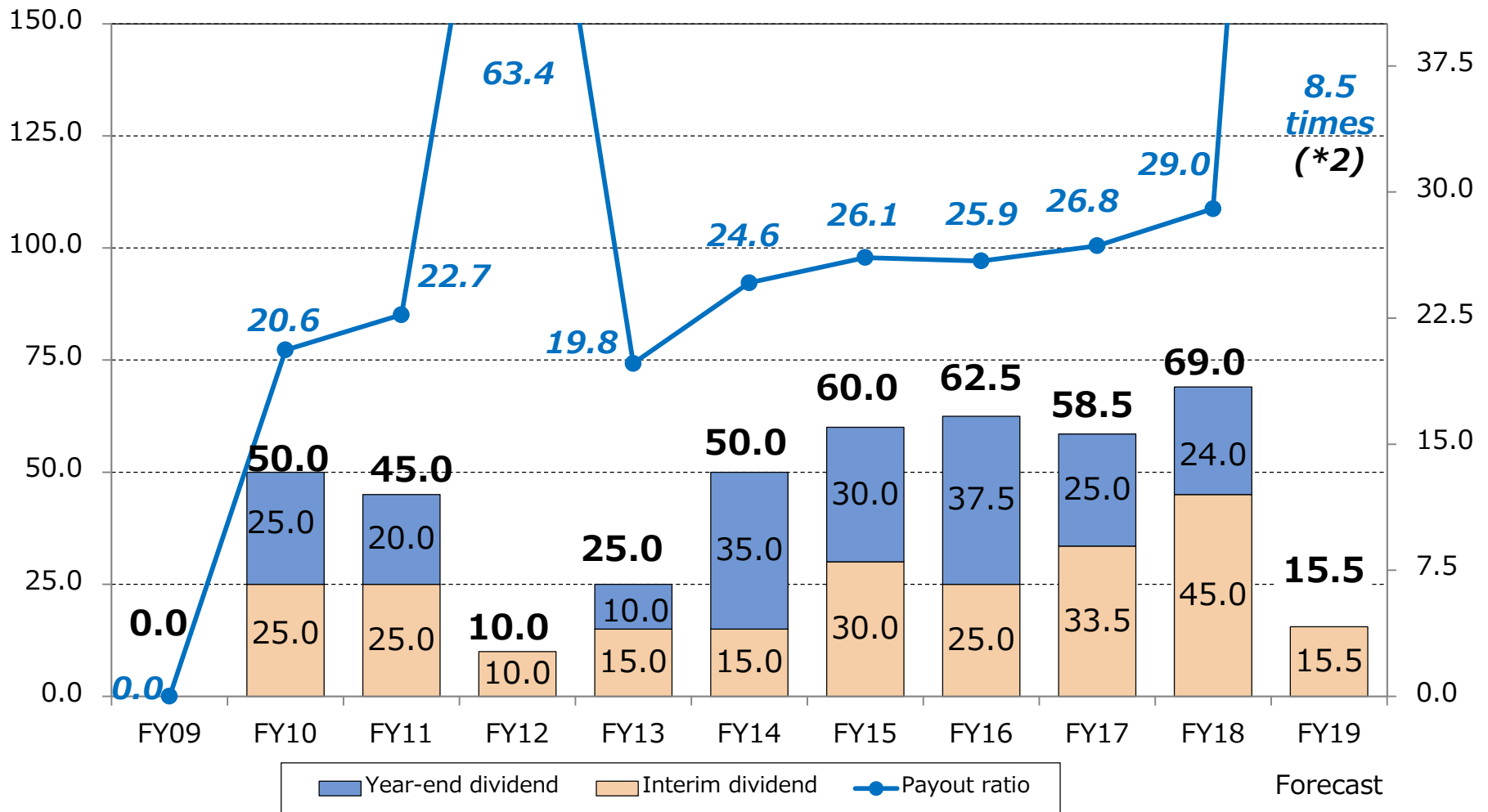
	Annual dividend per share (yen)		
	End of the first half of fiscal year	End of the fiscal year	Full fiscal year
Previous forecast (October 30, 2019)		9.50	25.00
Revised forecast		0	15.50
Actual for the current fiscal year(*)	15.50		
Actual for previous fiscal year (FY2018 ending March 31,2019)	45.00	24.00	69.00

* Dividend Per Share = Earnings Per Share before goodwill amortization × 30%

Dividend Trend

(Yen per share)

(%)



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

Dividend is adjusted after the one-for-five reverse stock split.

*2 Calculated by Earnings Per Share before goodwill amortization

Repurchase of Shares and Cancellation of Treasury Stock

① Details of the repurchase

(1) Number of shares repurchased	Common stock 1,730,000 shares (3.1% of the number of issued shares excluding treasury stock)
(2) Total value of shares repurchased	2.5 billion yen
(3) Repurchase period	From June 20, 2019 to December 3, 2019

② Details of cancellation of treasury stock

(1) Types of shares canceled	Common stock
(2) Number of shares cancelled	2,930,000 shares (5.1% of the number of issued shares before cancellation)
(3) Cancellation date	December 27, 2019

③ Total Return

		FY18	FY19 Forecast	
Dividend	Billion yen	2.8	0.9	
Repurchase of Shares		-	2.5	
Total Return to Shareholders		2.8	3.4	
Net Income		7.7	(After amortization of goodwill) -2.8	(Before amortization of goodwill) 0.1
Total Return Ratio	%	36.2	-	33.6 times

Emergency Profit Improvement Measures and Actions

Decided emergency profit improvement measures and actions to realize a swift recovery.

	Measures		Term
① Voluntary partial return of executive compensation (*)	Representative Director and President	20% of monthly compensation	From February 2020 for the time being
	Director and Managing Executive Officer	10% of monthly compensation	
	Fellow Executive Officer		
	Executive Councilor	7% of monthly compensation	
② Utilizing the Employment Adjustment Subsidy System	Sanyo plans to utilize the Employment Adjustment Subsidy System for about two days furlough in a month for all employees working at Head Office/Plant.		From March 2020 for the time being
③ Voluntary partial return of manager's salary	General Manager Position	5% of monthly salary	From February 2020 for the time being
	Group/Section Manager Position	3% of monthly salary	
	Other Manager	1% of monthly salary	
④ Reduction of other expenses	Sanyo will promote operational efficiency and reduce expense to the minimum, such as implementing intensive cost-minimization operations, and curbing non urgent expenditures and investments.		

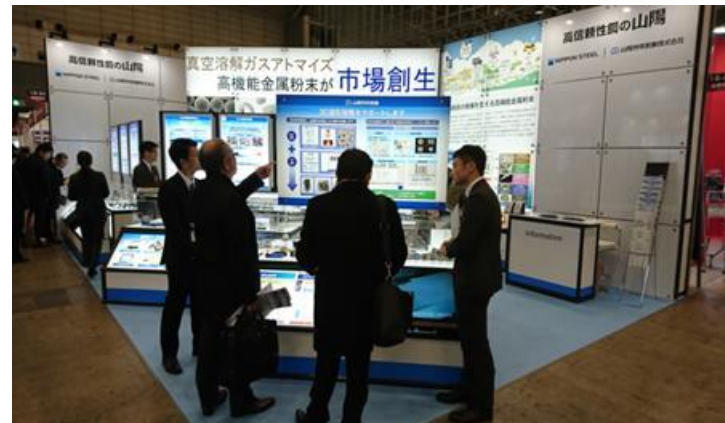
(*) Full-time Audit & Supervisory Board Members have voluntarily offered to return 10% of monthly compensation in the same period as well.

- Estimated profit improvement for year ; 0.5 Billion yen
- Additional profit improvements of 0.5 billion yen in FY2019, and 1.0 billion yen in FY2020 (+0.5 billion yen from FY2019) by reductions in bonuses and overtime.
- Further profit improvement measures and actions being implemented by affiliated companies, including Ovako and MSSS .

Topics

Sanyo's Highly functional Metal Powder

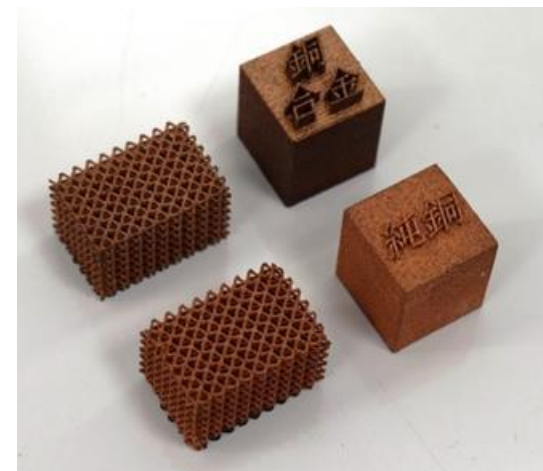
- We exhibited at Highly functional Metal Expo(Japan) in December 2019 and TCT Japan in January 2020.
- We appealed copper alloy powder(*1) and cobalt-free maraging steel powder(*2) for 3D printers



[Recently developed products]

*1 Copper alloy powder

- Pure copper is widely used in various applications due to its excellent electrical conductivity and thermal conductivity. On the other hand, the absorption rate of the laser is low, therefore additive manufacturing by a 3D printer is difficult.
- We developed new copper alloy which enables both of high density by laser additive manufacturing and high conductivity through optimization of alloy composition.
- It can be used for producing complex shapes that is difficult for conventional casting and forging methods to be applied for making. It is expected to be used in new markets such as automobiles and aerospace.



*2 Cobalt-free maraging steel powder

- Maraging steel is a tool steel that has both high strength and high toughness by aging heat treatment.
- Cobalt-free maraging steel powder developed by our company has comparable mechanical strength to conventional maraging steel without cobalt that has health risks in handling.

(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.