



Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2021
(April 2020 → December 2020)

January 29, 2021

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

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Outline of Statements of Income

1. Outline of 2020FY 1~3Q Result

We regrettably recorded an ordinary income in 1Q through 3Q of 2020 of negative 6.7 billion yen, deteriorating by 7.8 billion yen from same period of FY19 due to stagnant sales volume caused by the diminishing demand which was triggered by the expansion of COVID-19 infection. Ovako's sales volume in 3Q has decreased due to the impact of COVID-19 infection and summer outage. Sanyo's sales volume in 3Q recovered due to the improvements in the automobile market, etc. compared to 2Q which was the bottom when the impact of corona reached its peak. Consequently, Sanyo secured a positive ordinary income of 1.2 billion yen. (Please refer to Page 5)

(Reference) 2020FY 1~3Q Sales Volume (for Ovako and MSSS; January 2020 to September 2020)

	FY20 1~3Q (A)		FY19 1~3Q (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Sales Volume (Thousands of ton)	967	(per month) 107.4	1,283	(per month) 142.6	-316	(per month) -35.2
(Sanyo)	478	53.1	682	75.8	-204	-22.6
(Ovako)	427	47.4	526	58.4	-99	-11.0
(MSSS)	62	6.9	75	8.4	-13	-1.5

2. Statements of Income (FY20 1~3Q vs FY19 1~3Q)

(Unit : Billion yen)

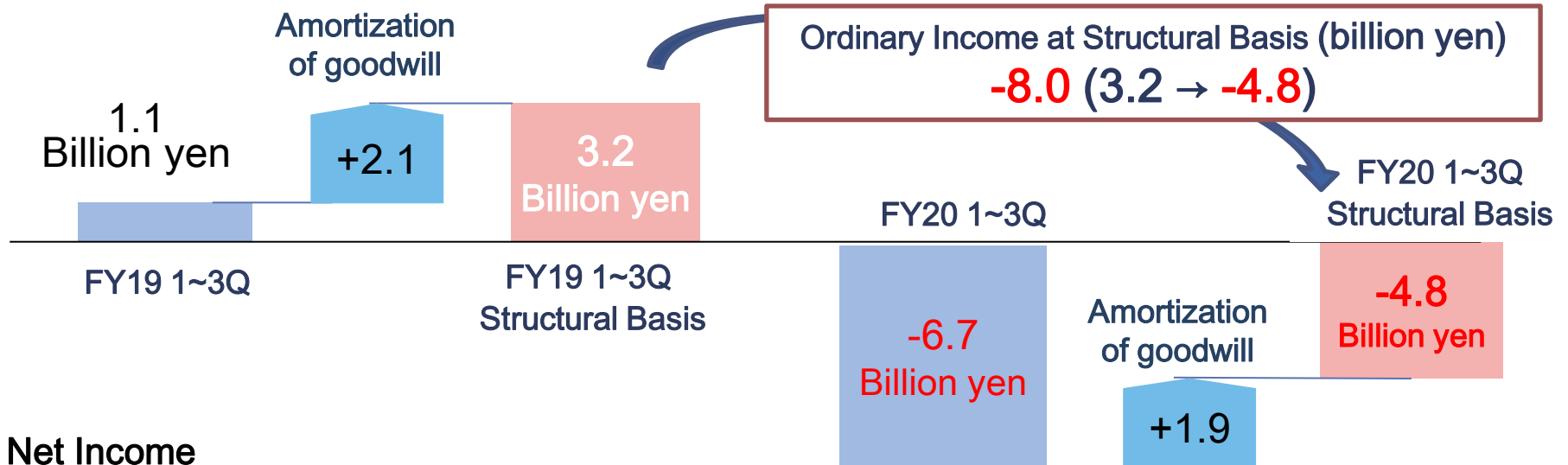
	FY20 1~3Q (A)		FY19 1~3Q (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	148.7	100.0	203.7	100.0	-55.0	-27.0
Operating Income	-6.5	-4.4	1.5	0.7	-8.0	-
Ordinary Income	-6.7	ROS -4.5	1.1	ROS 0.5	-7.8	-
(Sanyo)	-0.5	-	4.4	-	-5.0	-
(Ovako)*1	-2.4	-	-0.0	-	-2.4	-
(MSSS)*1	-1.1	-	-1.0	-	-0.1	-
(Amortization of goodwill)	-1.9	-	-2.1	-	+0.2	-
Net Income*2	-5.9	-3.9	0.0	0.0	-5.9	-
Net Income (Structural Basis)*3	-3.9	-2.6	2.2	1.1	-6.1	-

*1 The consolidated accounting period for Ovako and MSSS is January to September 2020. *2 Profit attributable to owners of parent

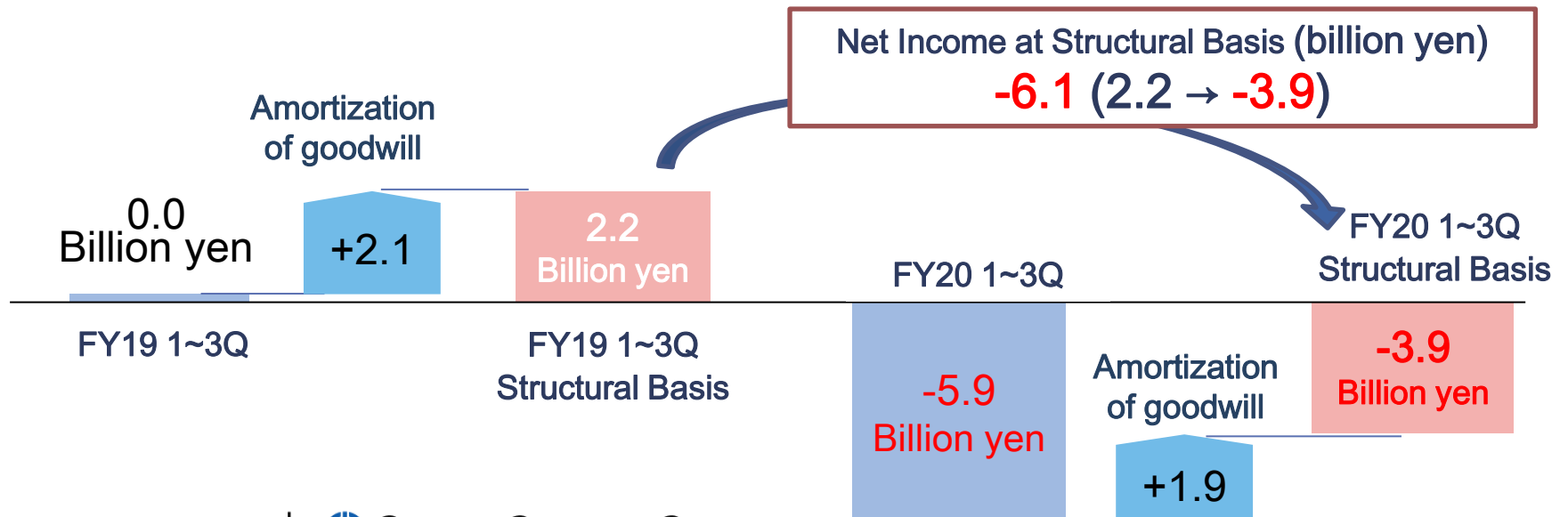
*3 Adjusted by amortization of goodwill

Income (Structural Basis) FY19 1~3Q vs. FY20 1~3Q

Ordinary Income

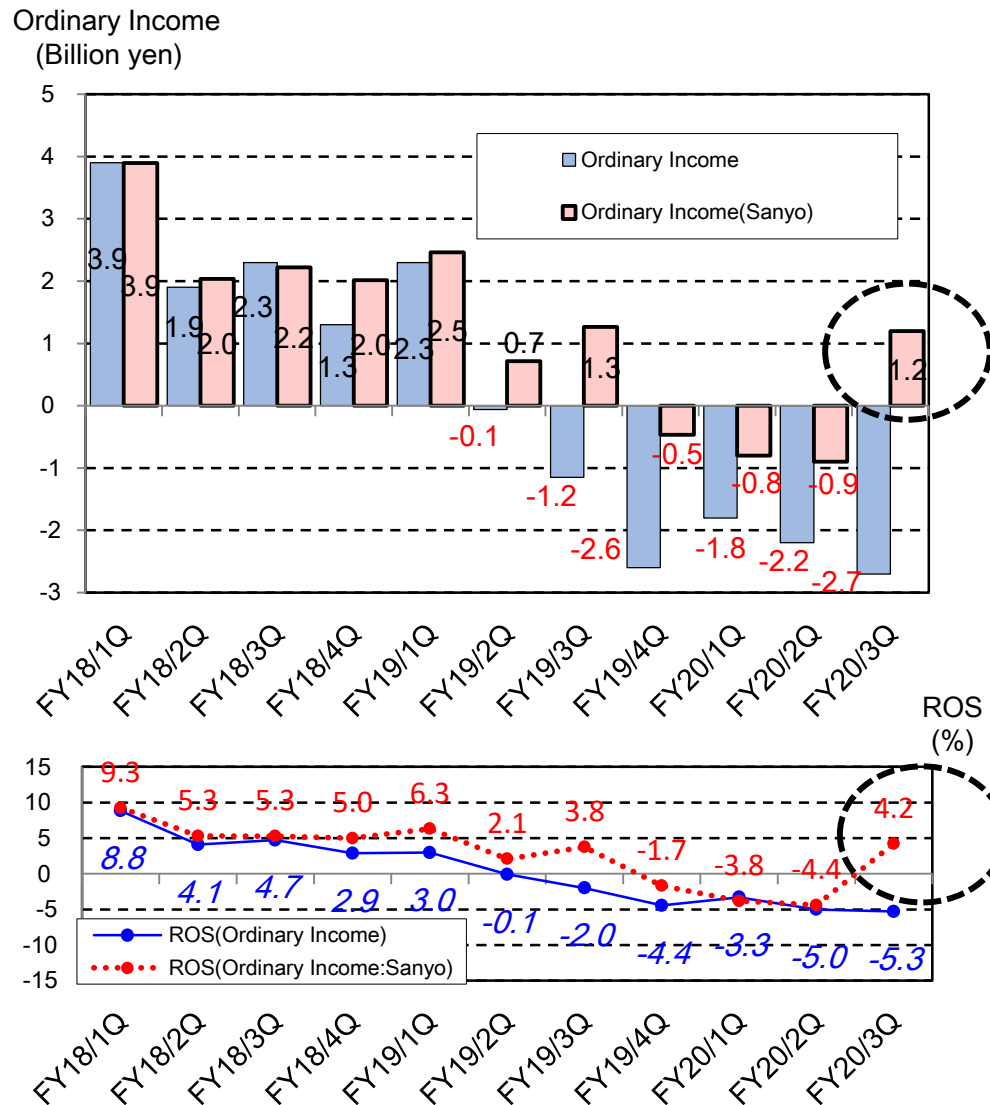
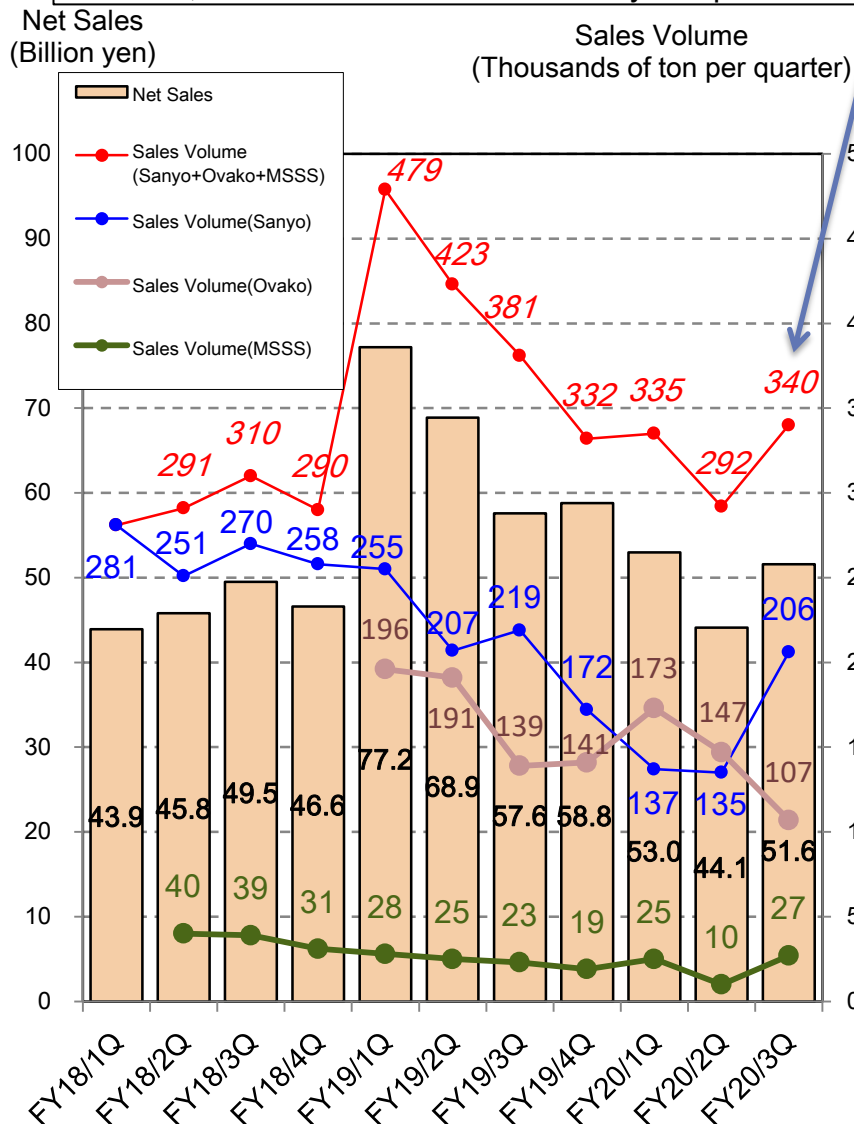


Net Income

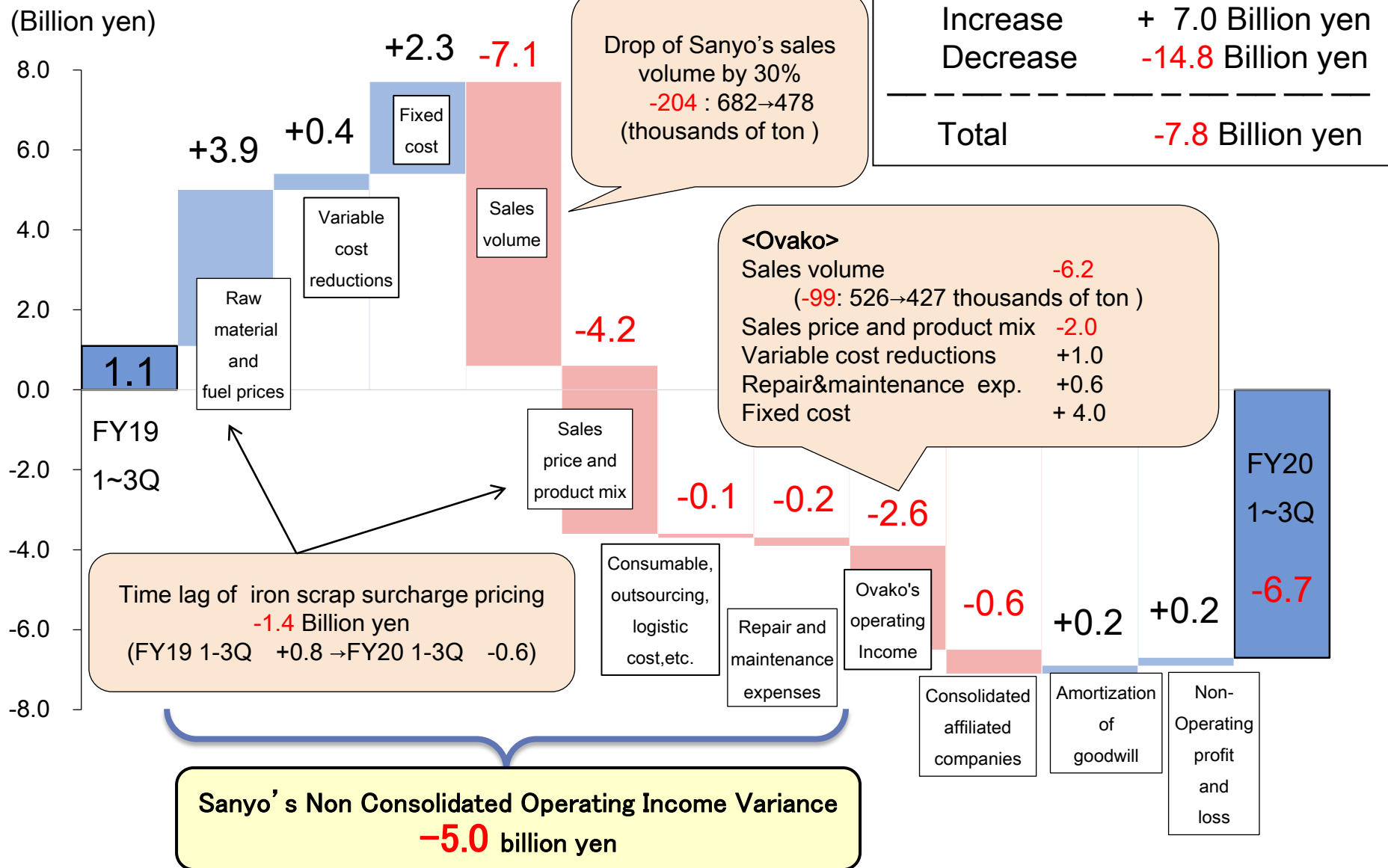


Net Sales and Income (quarterly)

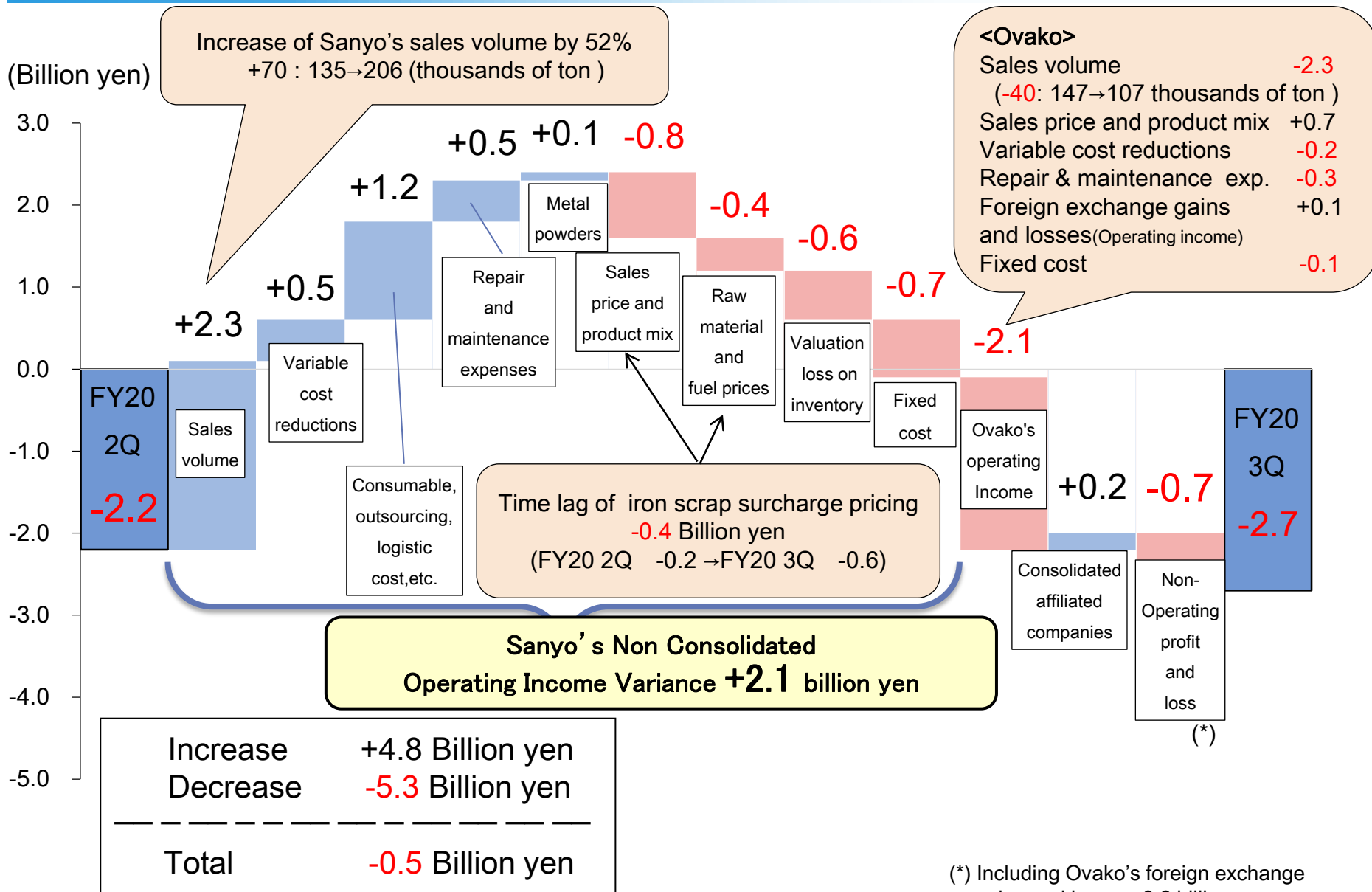
Sanyo; Sales volume decreased in Apr. - Sept. due to the impact of COVID-19 but recovered in Oct. - Dec.
 Ovako ; Sales volume decreased in July - Sept. due to the impact of COVID-19 and summer outage.
 MSSS ; Sales volume increased in July - Sept. from Apr. - June partly due to the lift of lockdown.



Ordinary Income Variance Analysis (FY19 1~3Q → FY20 1~3Q)



Ordinary Income Variance Analysis (FY20 2Q → FY20 3Q)

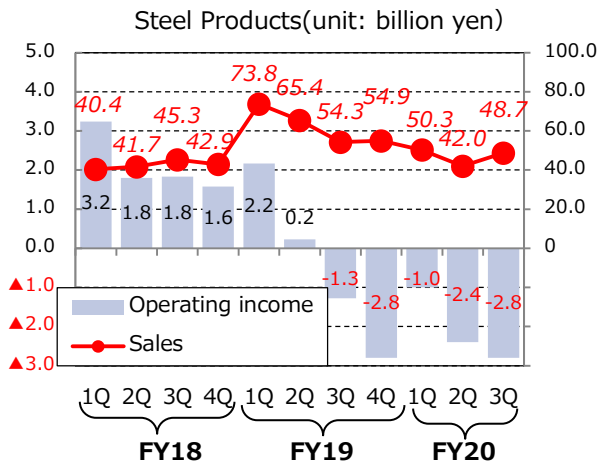


Earnings by Business Segment

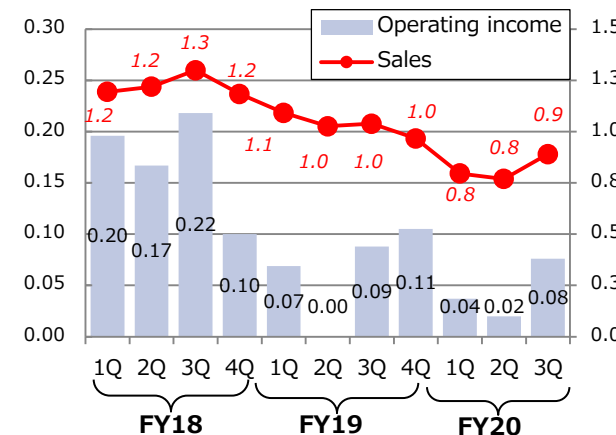
(Unit : Billion yen)

	FY20 1~3Q (A)			FY19 1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	141.1	-6.1	-4.4	193.5	1.1	0.6	-52.4	-7.3	-5.0
Metal Powders	2.5	0.1	5.5	3.2	0.2	5.0	-0.7	-0.0	+0.5
Formed and Fabricated Materials	9.5	-0.5	-5.7	13.4	0.2	1.1	-3.9	-0.7	-6.8
Sub-total	153.0	-6.6	-4.3	210.0	1.4	0.7	-57.0	-8.0	-5.0
Other	1.1	0.0	2.9	1.2	0.0	3.1	-0.1	-0.0	-0.2
Adjustments	-5.3	0.0	—	-7.5	0.0	—	+2.1	-0.0	—
Consolidated Total	148.7	-6.5	-4.4	203.7	1.5	0.7	-55.0	-8.0	-5.1

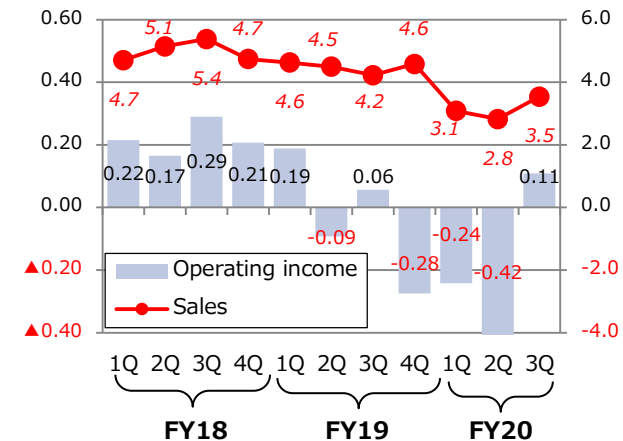
Change in Business Segment



Metal Powders(unit: billion yen)

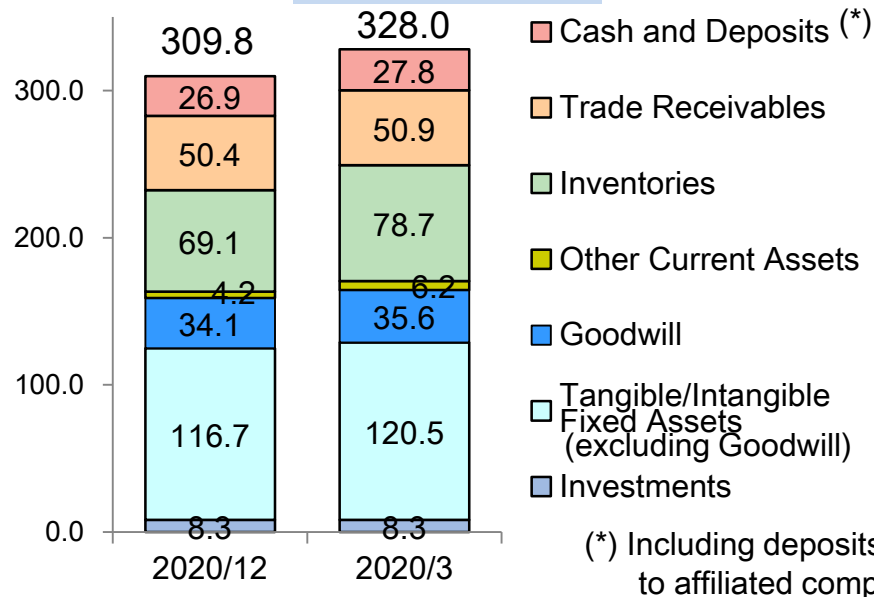


Formed and Fabricated Materials (unit: billion yen)

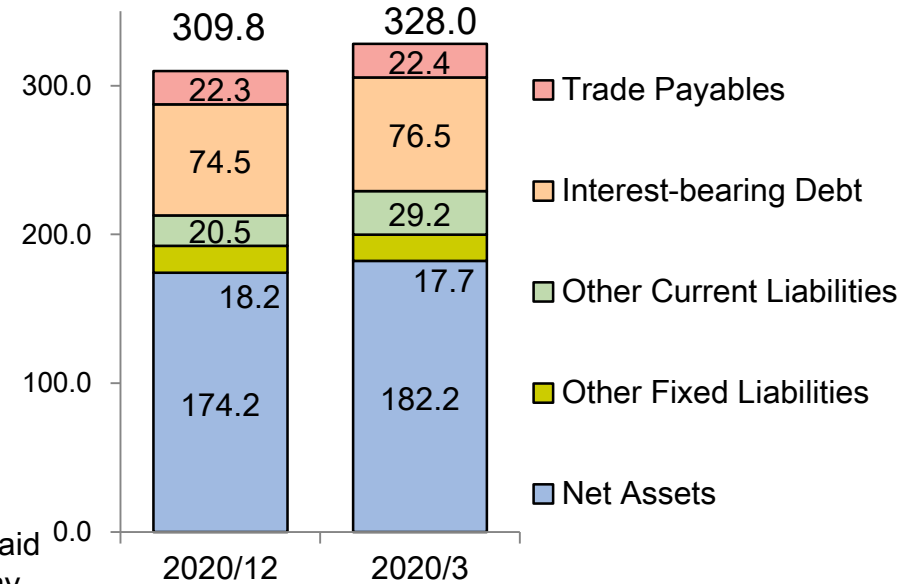


Balance Sheets

(Billion yen)



(Billion yen)



Major changes in Assets	- 18.2 billion yen (-6%)
Inventories	- 9.6
Tangible/Intangible Fixed Assets	- 3.7
Goodwill	- 1.6

Major changes in Liabilities and Net Assets	- 18.2 billion yen (-6%)
Other Current Liabilities	- 8.6
Net Assets	- 8.0

(Reference) Assets of Sanyo, Ovako and MSSS (non consolidated basis)
Sanyo 243.3 billion yen, Ovako 84.9 billion yen, MSSS 13.1 billion yen

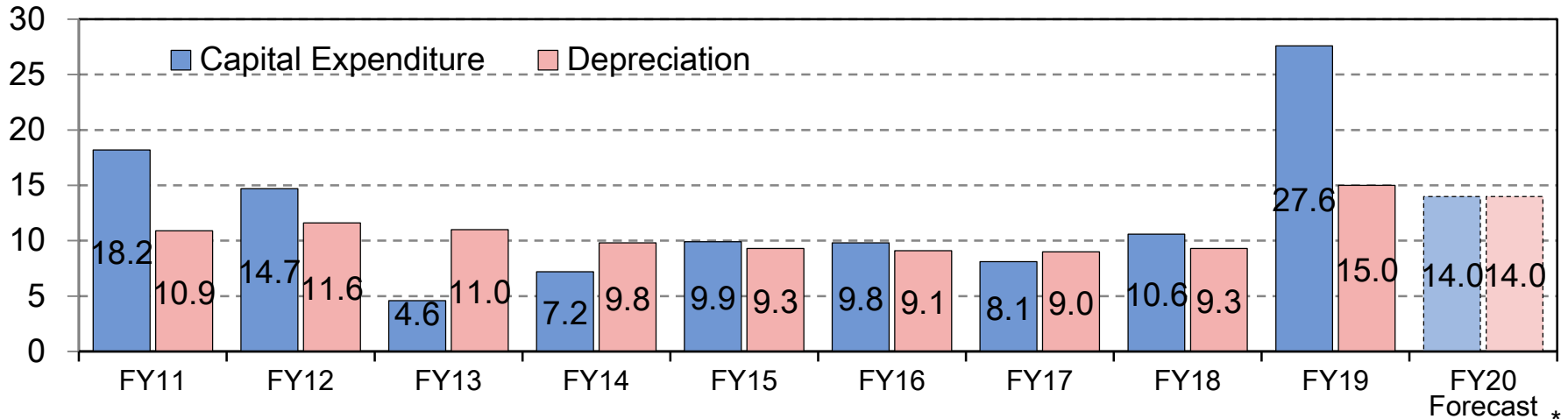
Equity Ratio	2020/12	2020/3
	55.2%	54.4%

■ Ovako's goodwill

- According to the Japanese accounting standard for impairment of fixed assets, it would be "Indicators of impairment", in case Ovako fails to achieve a positive EBIT of more than 2.6 billion yen in FY21 to exceed the amount of annual goodwill amortization, since Ovako is expected to be negative in EBIT for two consecutive years by -0.6 billion yen in FY19 and -2.6 billion yen in FY20.
- Nevertheless, even if Goodwill would be fully impaired, Sanyo continues to maintain the financial robustness, with the equity ratio nearly to 50% and the D/E ratio around 0.3 to 0.4 after full impairment of Ovako's goodwill.

Capital Expenditure and Depreciation

(Billion yen)



*Capital Expenditure of 14.0 billion yen in FY20 forecast includes following

- 1) 9.4 billion yen for Sanyo (including 5.0 billion yen for Sanyo Factory Renovation to resolve bottlenecks at No.2 Bar & Wire Rod Mill)
- 2) 4.0 billion yen for Ovako
- 3) 0.4 billion yen for MSSS.

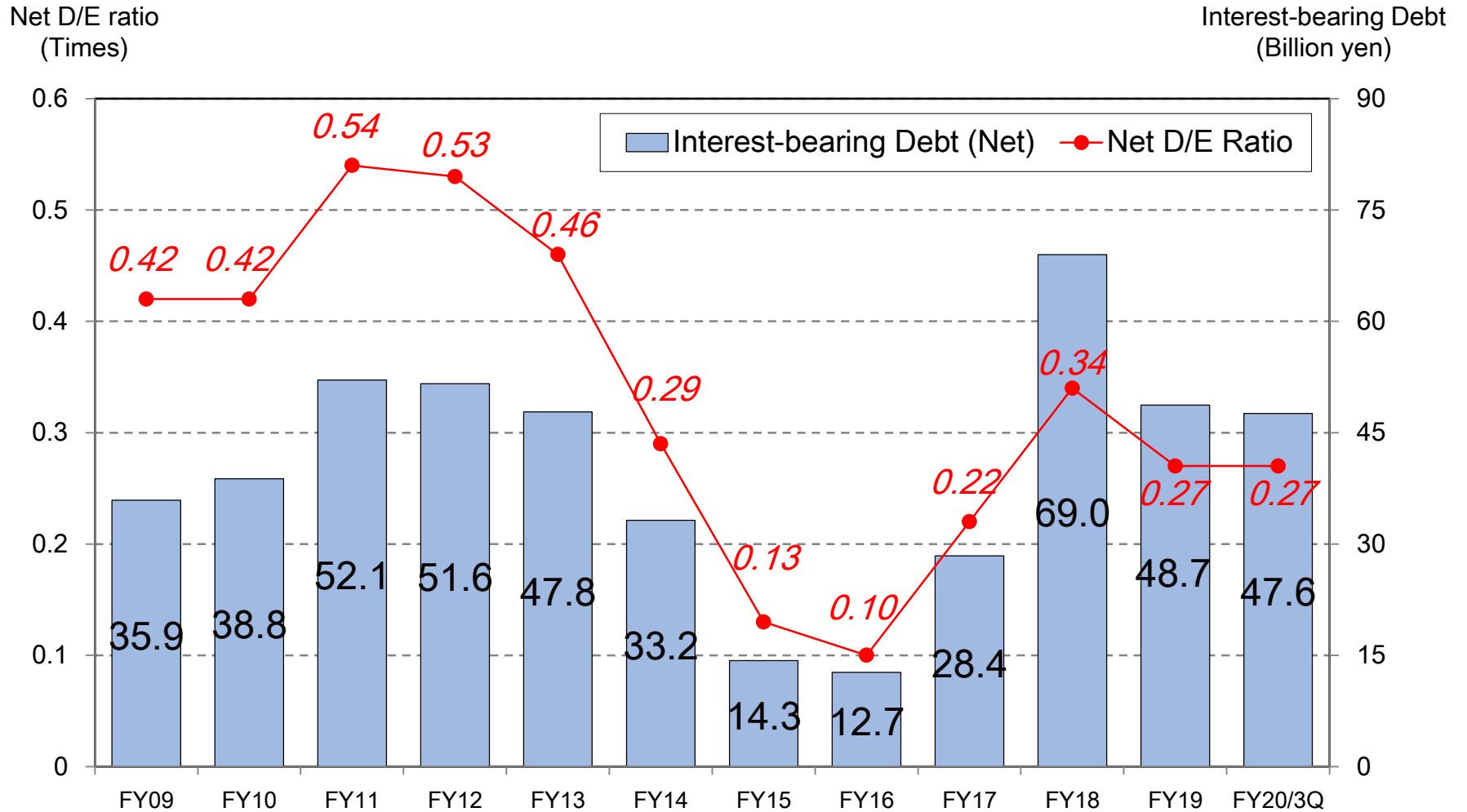
Depreciation of 14.0 billion yen in FY20 forecast includes

- 1) 7.2 billion yen for Sanyo and
- 2) 5.6 billion yen for Ovako and
- 3) 0.4 billion yen for MSSS.

Changes in depreciation methods

- ◆ Since FY20, Sanyo and domestic subsidiaries have changed the depreciation method. (declining balance method → straight-line method)
- ◆ The reason for this change is unifying our group accounting policies on global basis.
- ◆ We considered following issues to change the depreciation method.
 - The facilities used by our group are expected to operate steadily in the future
 - There is little risk that our products and equipment will become obsolete due to changes in the market environment or technology.
 - Timing of changes in depreciation methods
 - Synchronizing with full-scale operation commencement of new facilities in the No.2 Bar & Wire Rod Mill
- ◆ Depreciation in FY20 will decrease by 2.4 billion yen and profit improvement effect will be 1.9 billion yen compared to previous method.

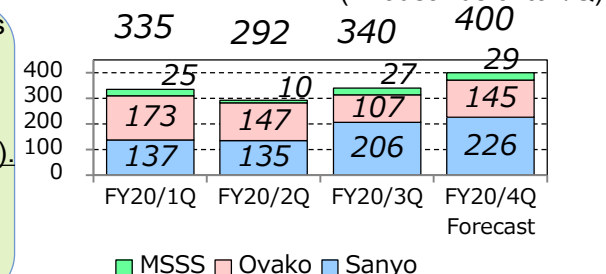
D/E Ratio



* Interest-bearing Debt(Net) = Interest-bearing Debt – (cash + deposits paid to affiliated company)

Business Forecast for FY20 (announced on January 29, 2021)

(Reference) 2020FY Sales volume outlook
(Thousands of ton/Q)



1. 2020FY Outlook

- Sanyo's ordinary income for FY20 2H is expected to be 2.3 billion yen (-0.4 billion yen from previous forecast) as a result of increase in iron scrap prices despite of the sales volume increase. On the other hand, Ovako's ordinary income for FY20 2H is expected to be negative 2.8 billion yen (+1.0 billion yen from previous forecast) due to an increase in sales volume, etc. Ordinary income in FY20 2H will be negative 2.5 billion yen (+1.0 billion yen from previous forecast).
- Consequently, ordinary income in FY20 will be negative 6.5 billion yen.
- Ordinary income for FY20 4Q will be 0.2 billion yen due to the recovery in customer demand. We will continue our utmost efforts to improve sales price and to further reduce cost, to increase the consolidated earnings.

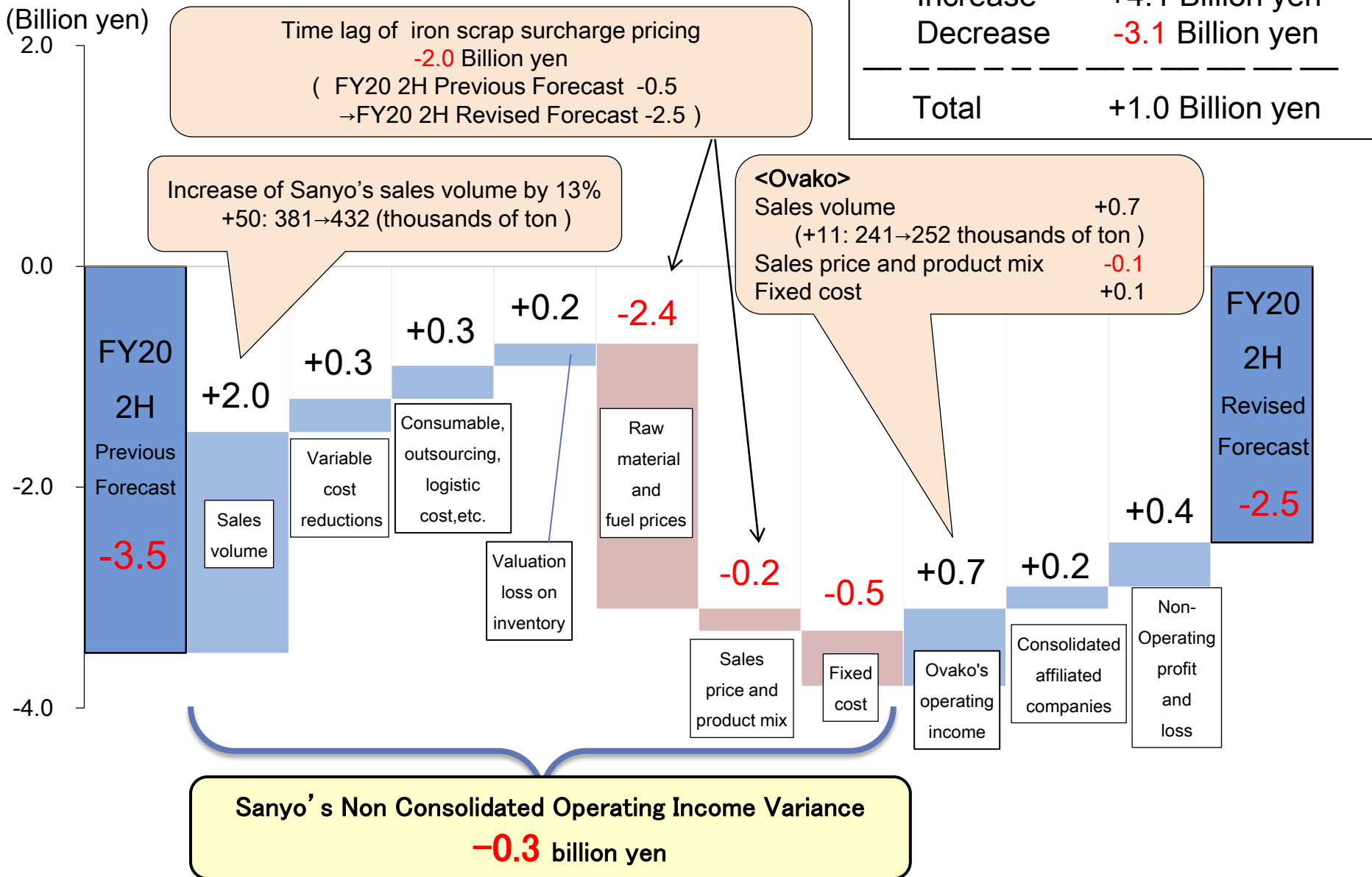
2. 2020FY Forecast

(Unit : Billion yen)

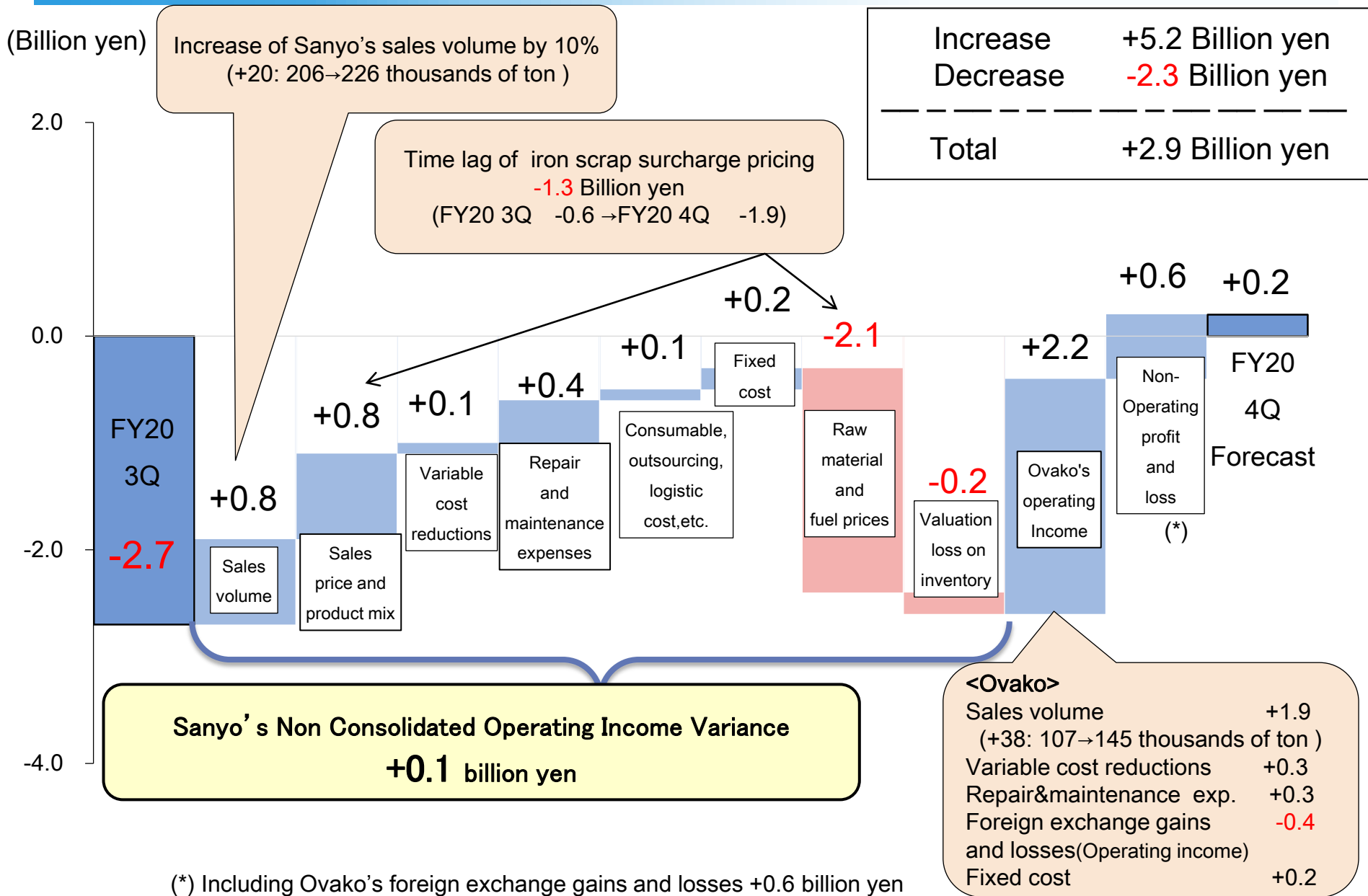
	Revised forecast(A) As of January 29, 2021					Previous forecast(B) As of October 29, 2020		Change		
	1H	2H			FY20	2H	FY20	2H (B→A)	FY20 (B→A)	3Q→4Q
		3Q	4Q(f)							
Net Sales	97.2	51.6	62.3	113.8	211.0	107.8	205.0	+6.0	+6.0	+10.7
Operating Income	-3.9	-2.6	-0.2	-2.8	-6.7	-3.4	-7.3	+0.6	+0.6	+2.4
Ordinary Income	-4.0	-2.7	0.2	-2.5	-6.5	-3.5	-7.5	+1.0	+1.0	+2.9
(Sanyo)	-1.7	1.2	1.1	2.3	0.6	2.7	1.0	-0.4	-0.4	-0.1
(Ovako)	0.4	-2.8	0.0	-2.8	-2.4	-3.8	-3.4	+1.0	+1.0	+2.9
(MSSS)	-0.8	-0.4	-0.2	-0.5	-1.3	-0.6	-1.4	+0.1	+0.1	+0.2
(Amortization of goodwill)	-1.2	-0.7	-0.7	-1.4	-2.6	-1.4	-2.6	-	-	-
Net Income	-3.3	-2.5	0.2	-2.4	-5.7	-3.3	-6.6	+0.9	+0.9	+2.7
Net Income (Structural Basis)	-2.1	-1.9	0.8	-1.0	-3.1	-1.9	-4.0	+0.9	+0.9	+2.7
Sales Volume (Thousands of ton)	627	340	400	739	1,366	679	1,306	+60	+60	+60
(Sanyo)	273	206	226	432	704	381	654	+50	+50	+20
(Ovako)	320	107	145	252	572	241	560	+11	+11	+38
(MSSS)	35	27	29	56	91	57	92	-1	-1	+2

Major assumptions after January 2021 · Scrap iron 41,000 yen/t (H2 market price in Himeji area) · Crude oil (Dubai) 60\$/BL · Exchange rate 105 yen/US\$, 125 yen/€

Ordinary Income Variance Analysis (FY20 2H Previous Forecast to FY20 2H Revised Forecast)



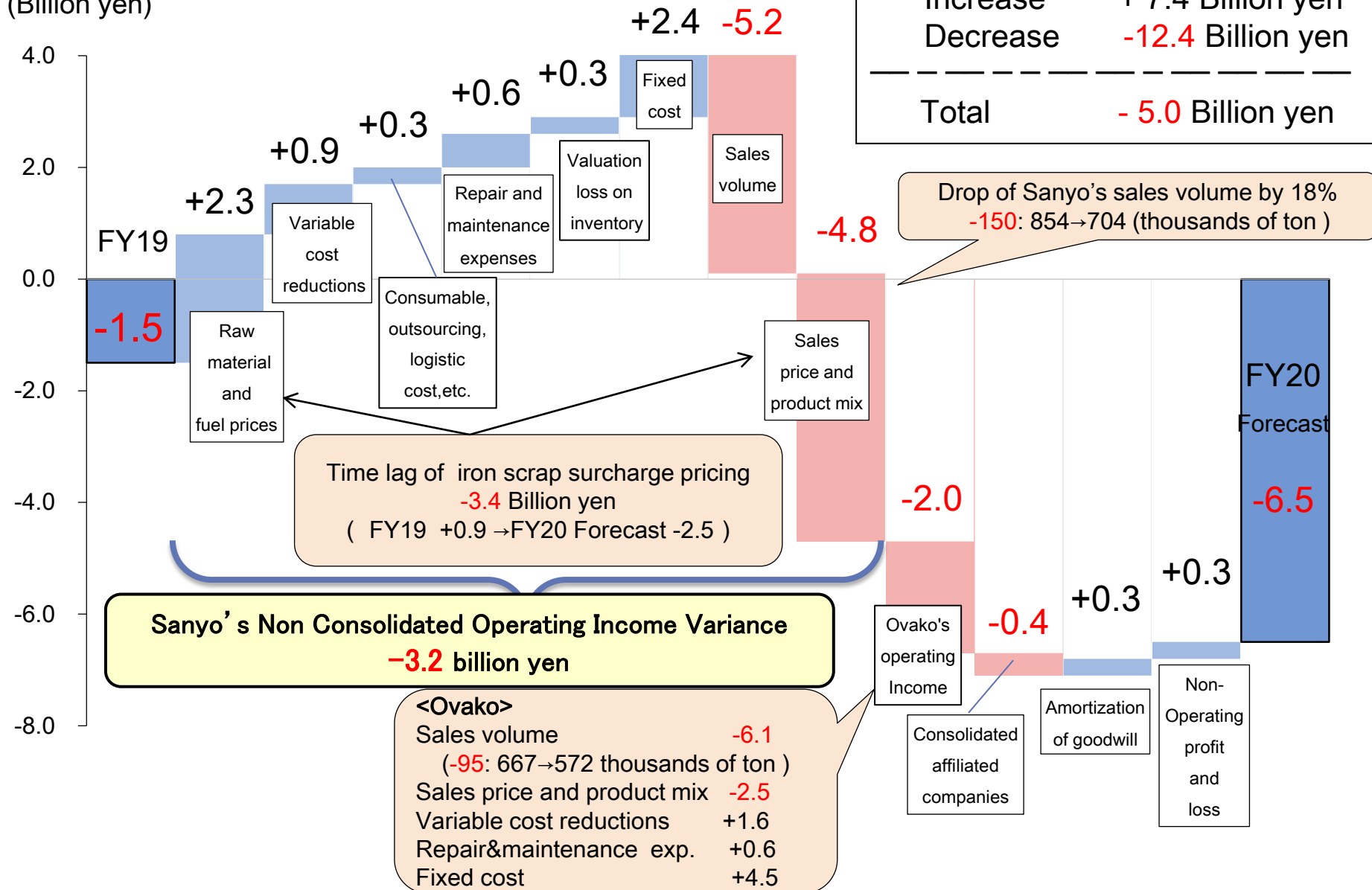
Ordinary Income Variance Analysis (FY20 3Q → FY20 4Q Forecast)



(*) Including Ovako's foreign exchange gains and losses +0.6 billion yen

Ordinary Income Variance Analysis (FY19 to FY20 Revised Forecast)

(Billion yen)



Review of Performance <Sanyo>

Overview of FY 2020

COVID-19 Impact

Due to the decline of demand, our customer industry re-entered into a destocking phase resulting into a significant drop of sales volume until last summer, but recently the demand has started to recover.

(Please refer to the figure on the right)

(Overview of FY2020)

The ordinary loss for FY20/1H was 1.7 billion yen as a result of negative effects from the drop of sales volume (decreased by 41% compared to FY19/1H) due to COVID-19 impact. Positive effects from “emergency profit improvement measures and actions” and “reduction of depreciation expenses by change in depreciation methods” contributed to offset the above mentioned negative effects.

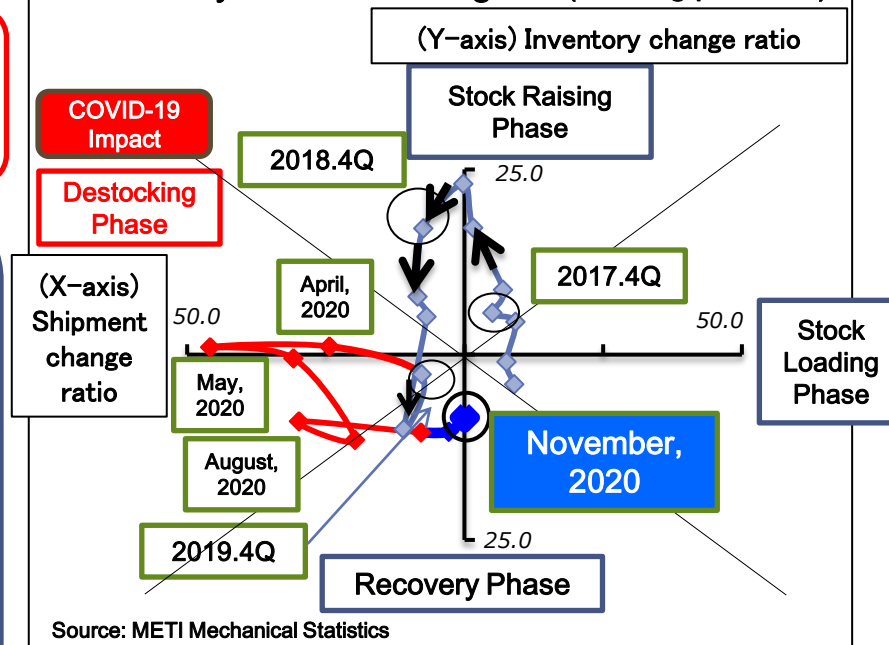
The ordinary income of the FY20/3Q was 1.2 billion yen positive due to increase of sales volume mainly driven by recovery of demand in Automotive, Industrial machinery and Construction machinery industry. The ordinary income of the FY20/4Q is expected to be 1.1 billion yen positive due to further sales increase from 3Q offset by rise of scrap price. (Please refer to the figure below).

Consequently, the ordinary income for the FY20/2H and FY 20 are expected to be 2.3 billion yen and 0.6 billion yen respectively.

We will pursue further profit improvement by the following actions;

- Practicing sales price improvement measures and actions promptly.
- Pursuing cost optimizing operation in production, and fully capturing customer order recovery simultaneously.

Inventory circulation diagram (Bearing products)



Securing profit measures and actions

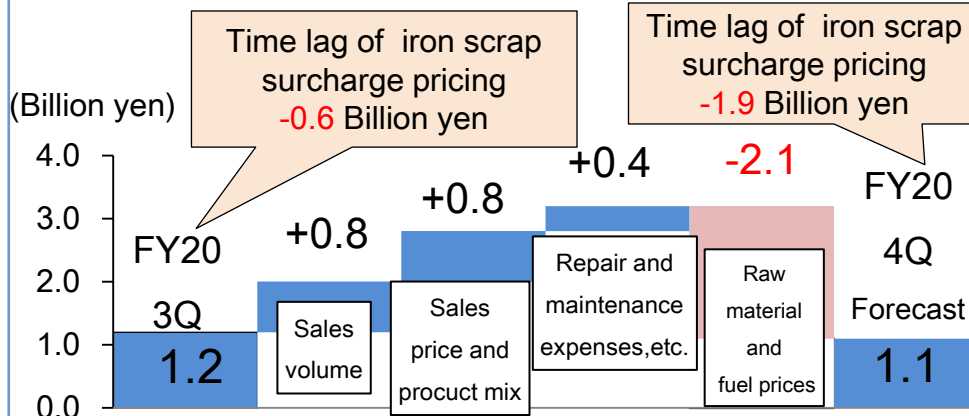
(1) Continuation of fixed cost reduction measures and actions

We will practice the followings to strengthen financial soundness, a) Applying voluntary partial return of executive compensation and manager's salary as planned, b) Reducing overtime and further utilizing the unemployment insurance program for temporary leave, c) Reducing fixed cost, repair and maintenance expenses and others.

(2) Reinforcing corporate robustness to secure profit

We will bolster the corporate robustness, even if production and sales volume remain at present level, by the following measures.

- Sales ; Securing an appropriate margin by increasing sales price to non-surcharge sales items and expanding sales by fully capturing customer order recovery.
- Production ; Pursuing cost optimizing operations by flexibly corresponding to production volume fluctuation.



Headquarter : Stockholm, Sweden Manufacture and sale of special steel bars, pipes, rings, etc.
Manufacturing sites in Sweden and Finland. An affiliated company of Sanyo since March 2019.

Overview of FY 2020

(Overview of FY2020 ; January to December 2020)

The demand for special steel in Europe recovered in 2020/1Q;Jan.-Mar.2020, and the COVID-19 impact on sales was still limited. Although the COVID-19 impact started to materialize from 2Q;Apr.-Jun.2020, Ovako's ordinary income for the 1st half;Jan.-Jun.2020, was in surplus by 0.4 billion yen.

The impact of COVID-19 was peaked in 3Q;Jul.-Sep.2020, and together with the effect of regular maintenance outage in July, the sales volume for 3Q dropped, resulting in an ordinary loss for FY20 3Q of 2.8 billion yen. The ordinary income of the FY20/4Q is expected to be 0.0 billion yen due to sales recovery from 3Q and cost reduction despite regular maintenance in Dec. (Ordinary income is expected to improve by 2.9 billion yen; 3Q -2.8 → 4Q +0.0)

Consequently, Ovako's ordinary loss for FY20 2H and FY20 are expected to -2.8 and -2.4 billion yen, respectively. Sales order bottomed out in 2020/3Q and it is expected to recover thereafter. In the 2020/3Q, approx. 0.3 billion yen in expenses associated with staff reductions were recorded as extraordinary losses.

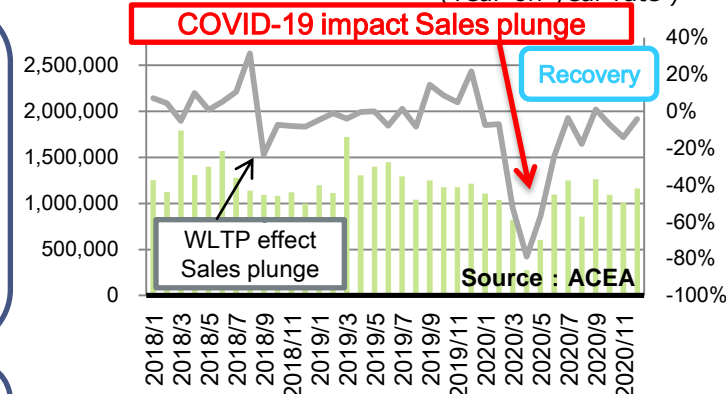
(Profit improvement measures and actions, support system)

Ovako will vigorously continue to pursue the followings to regain profitability and increase competitiveness.

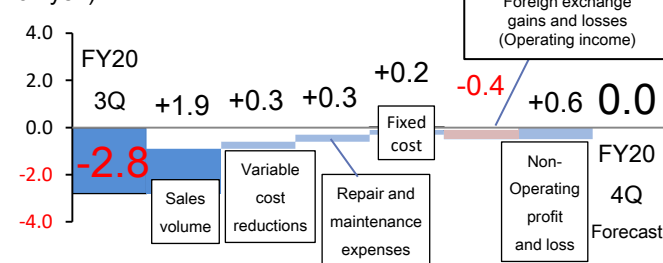
- Reduction of fixed cost, partly by utilizing the unemployment compensation scheme for temporary lay off (until December 2020)
- Reduction of 120 employees which accounts approx.5% of the total personnel.
- Maximizing synergies among the 3 companies, Ovako, Sanyo and Nippon Steel (Continued)
 - Sales promotion activities
 - Reduction of operational cost
 - Reduction of procurement cost

Units of automobile sales in Europe

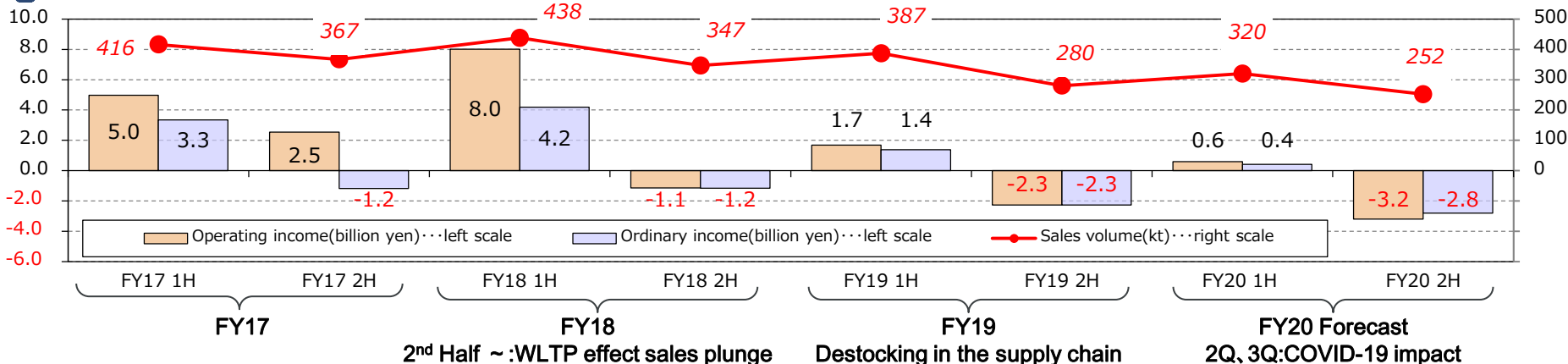
(Year-on-year rate)



(Billion yen)



Trend of Operating income, Ordinary income and Sales volume



Overview of FY 2020

Domestic car sales in India

Since 2018/11 YoY negative trend
 2019/08 YoY ▼30% and over
 2019/10~2020/2 sales volume bottoms out
 → Destocking was predicted to end
 2020/3~7 sales volume decline due to COVID-19 impact
 2020/8~ sales volume recovering

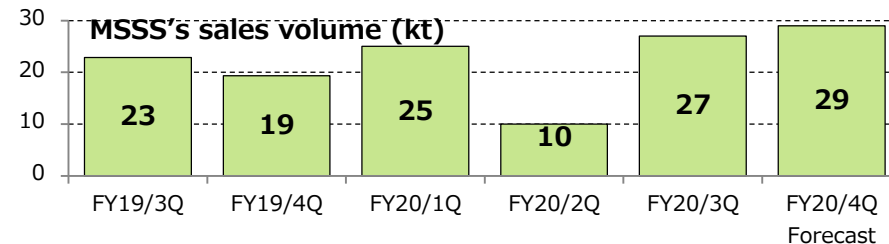
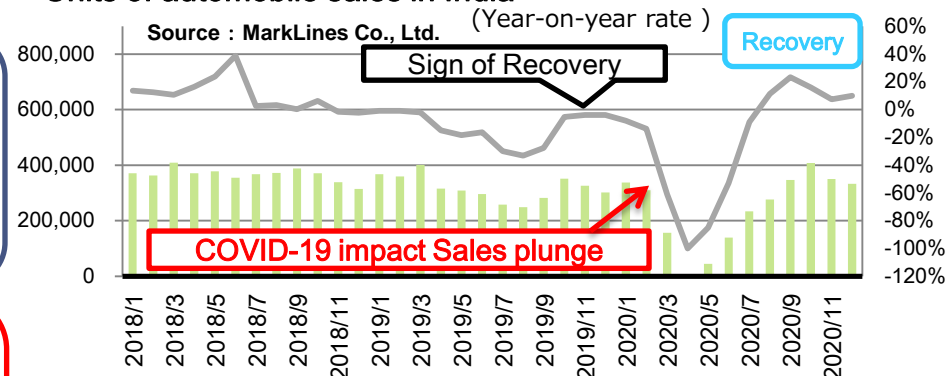
Impact of COVID-19

- ▶ Lockdown of the surrounding region of MSSS site, Khopoli, Maharashtra ordered to halt operation from late March to mid May and from mid July to end of July.
- ▶ Limited supply of oxygen for operation due to state order giving priority to supply to medical institutions (already solved)
- ▶ Demand for automobiles at low level until July 2020, but turned positive on YoY basis since August, 2020 and steadily recovering since then.

MSSS earnings outlook ; January to December 2020

- ▶ MSSS's sales volume of FY20 1Q increased from FY19 4Q, partly owing to the restart of shipments to railways, but in 2Q sales volume significantly decreased due to COVID-19 impact, and Ordinary loss for the 1H was 0.8 billion yen.
- ▶ The drop of sales volume has bottomed out in FY20 2Q, the sales volume has recovered in FY20 3Q and 4Q. Ordinary loss for 4Q is expected to increase by 0.2 billion yen than 3Q (3Q -0.4 →4Q -0.2) by sales volume increase and sales price rise.
- ▶ Consequently, the ordinary income for 2H is expected to be 0.5 billion yen negative and for full FY 20 to be 1.3 billion yen negative.
- ▶ We will endeavor to secure further sales volume and higher sales price, and continue to implement profit improvement measures.

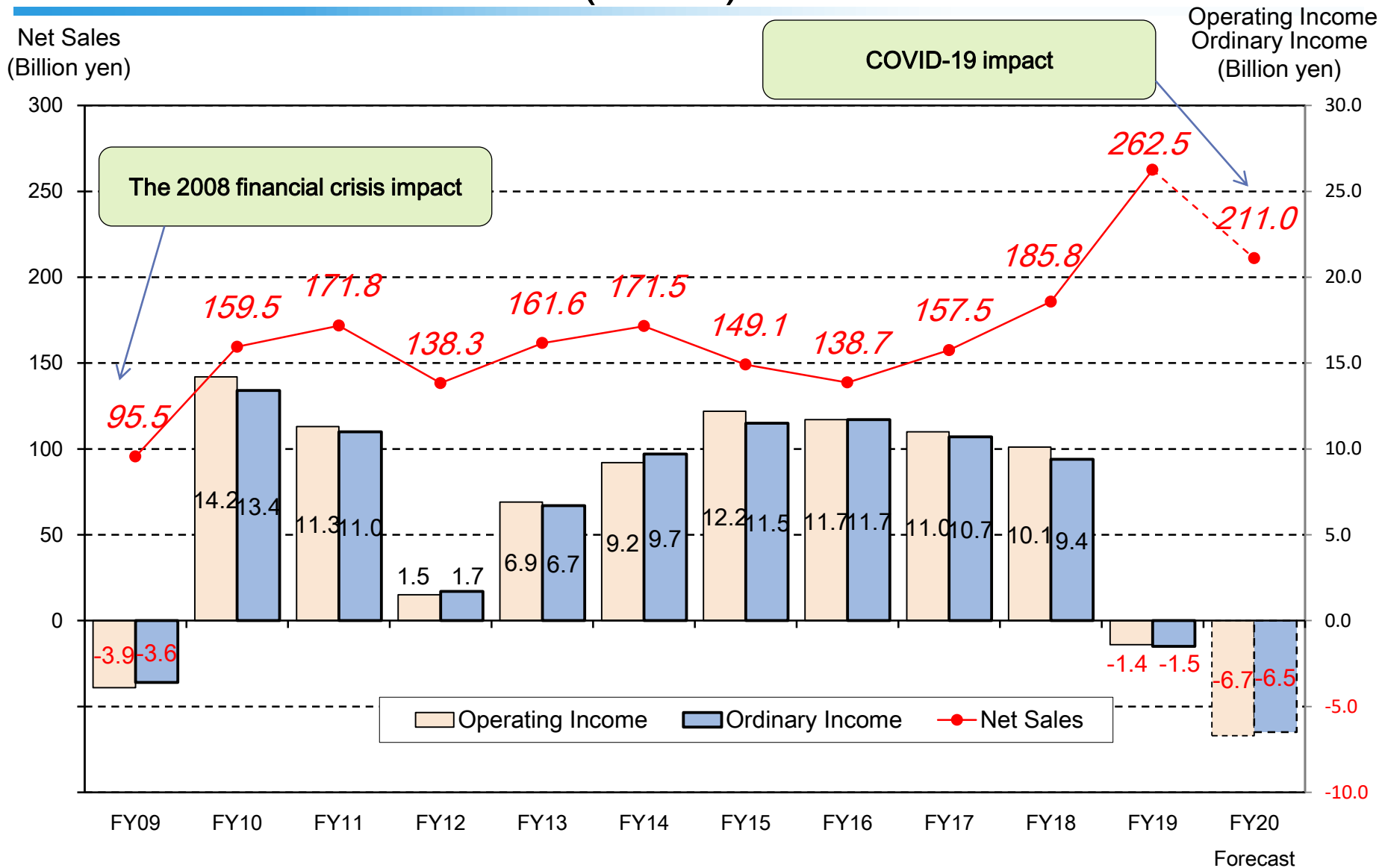
Units of automobile sales in India



Profit improvement measures and actions

- Reducing operation cost by improving energy intensity and efficiency, and reducing procurement cost by utilizing low-cost raw materials.
- Intensifying sales network, securing higher sales volume and expanding orders of high margin products.
- Securing stable orders for railways. (expected to be 2,000 t/month)
- Reducing labor cost including optimization of manning.

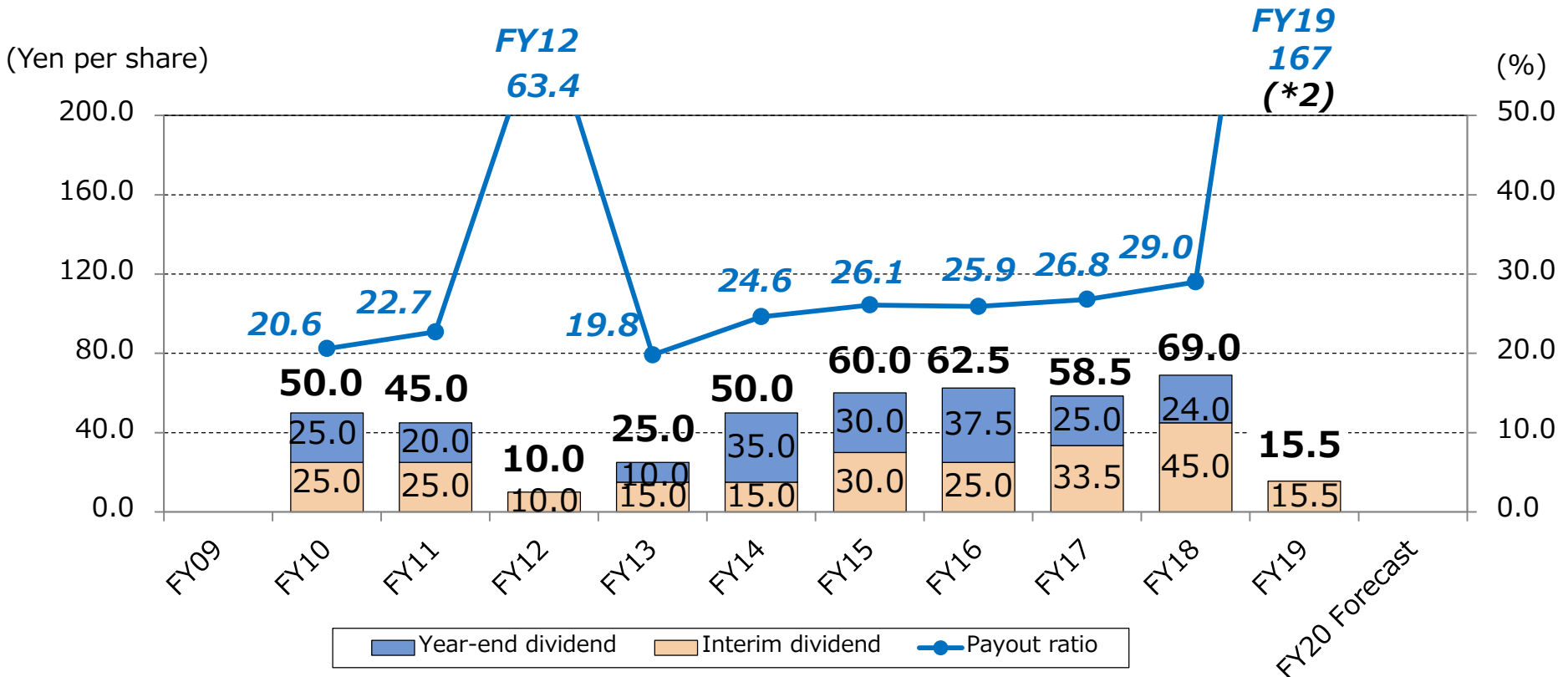
Net Sales and Income (fiscal)



*MSSS has been consolidated since FY18/2Q, and Ovako has been consolidated since FY19/1Q for profit and loss.

Dividend Forecast for FY20

To our deepest regret, we consider to halt the year-end dividend for FY20, in accordance with our negative business forecast for FY20.



*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

*3 A total treasury stock of 2,930,000 shares (former possession 1,200,000 shares + repurchase 1,730,000 shares) was cancelled on Dec. 27, 2019. It is 5.1% of the total number of issued shares before cancellation.

(1) Our efforts toward carbonization neutrality

Our innovation challenge in the "Challenge Zero"

1. Contribution to zero CO₂ emissions by developing bearing steel for long-life wind power generation

- Wind power generation is an effective measure for zero CO₂ emissions in power generation.
- In order to make the equipment highly-reliable that can continuously and stably generate, we aim to develop bearing steel for wind power generation that can obtain stable long-life property, based on our high-cleanliness technology for steel.



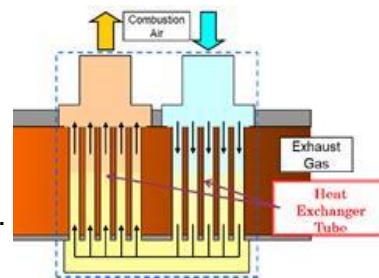
Appearance of wind power generation equipment

Demand for high quality special steel products with high reliability will further increase in order to pursue carbon neutrality and improving energy efficiency to realize a sustainable society. We consider this situation as a positive opportunity and will capture the emerging demand through our advanced technical resources, such as high reliability & cleanliness steel, and alloy design & microstructure control technology.

Our innovation challenge in the "Challenge Zero"

2. Reduction of CO₂ emissions in various industrial furnace operations by developing high-strength heat-resistant steel tubes for heat exchangers

- Industrial furnaces are equipped with waste heat recovery devices, such as the heat conversion type recuperator, to improve their energy efficiency in order to reduce CO₂ emissions.
- We will contribute to the realization of a decarbonized society by developing high-strength heat-resistant steel tubes that can improve the heat recovery efficiency of the recuperator and expanding their application to industrial furnaces.



Outline of heat exchange in the recuperator

3. Ovako first in the world to heat steel using hydrogen

- Ovako has conducted a full-scale trial in Hofors plant using hydrogen to heat steel before rolling together with Linde Gas AB at first in the world.
- This historic development proves that carbon dioxide emissions from rolling can be eliminated with a great positive effect on the environment.
- According to Ovako's estimate, this development would save 20,000 tons of carbon dioxide in Hofors plant each year.



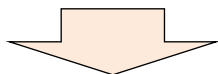
Heating steel in pit furnace

(2) Promoting Diversity Management (January 2021~)

- We established a new organization, “Diversity Promotion Group”, to support all employees to fully exert their abilities in accordance with the growing need from the society.

- We will further enhance female participation at the workplace together with improvements in supporting programs and facilities.
- The percentage of female employees is currently 25% at staff positions, and 6% at manufacturing site positions. (non-consolidated basis)

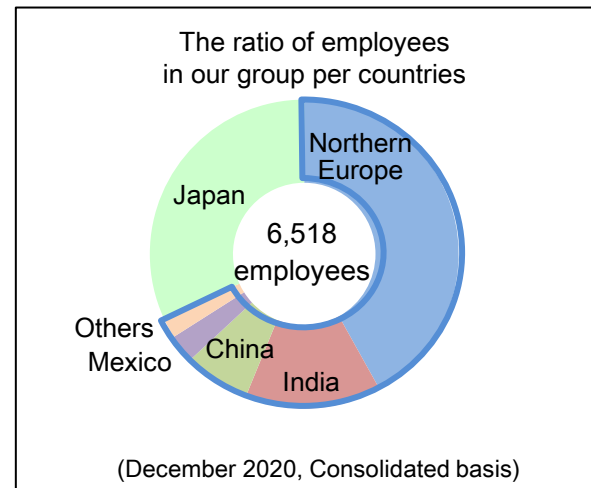
- Sanyo is steadily developing its global presence. On consolidated basis, only 30% are Japanese employees.



We established a new organization that specializes to enhance and stimulate the maximum facilitation of the capability and potential of all employees, irrespective of gender, age, and other conditions or preferences.

We will mainly focus on the following three issues and strive for being an even more respected member of the society;

1. Further promoting female participation
2. Facilitate support from employees exceeding retirement age
3. Enhanced employment of people with disabilities



Diversity Promotion Group Manager
MINAMI Chikako

(3) Completion of our renovation to eliminate bottlenecks at No.2 Bar & Wire Rod Mill (January 2021)

- In January 2021, the construction of the new heating furnace and thereby our renovation to eliminate bottlenecks at No.2 Bar & Wire Rod Mill was completed, a core element of the 10th medium-term management plan.
- The No.2 Mill was refreshed to correspond to the transformation of the future demand structure, such as increase of reduced diameter and small lot products, simultaneously with capacity expansion.
- By decreasing rolling stands through higher reduction and free size rolling, the new Reducing and Sizing Block(RSB) rolling mill can reduce process downtime and improve productivity.
- RSB rolling mill corresponds to the transformation of the demand structure, without lowering production efficiency.
- Henceforth, we will further pursue quality improvement, shorter lead time and cost competitiveness.

New heating furnace



2020/01

**Addition of cooling bed
and cold shear**

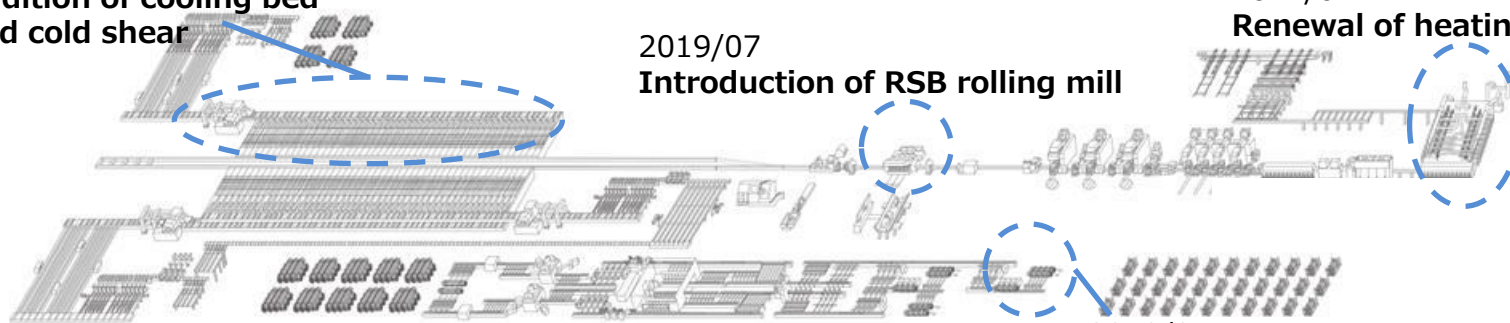
Eliminating bottlenecks at No.2 Bar & Wire Rod Mill

2019/07

Introduction of RSB rolling mill

2021/01

Renewal of heating furnace



2019/07

2 bundling lines

(4) Publishing "SANYO REPORT" (Japanese version announced on November 26, 2020)

- We have issued "SANYO SPECIAL STEEL REPORT 2020", which is a report about our effort on environment, society, and (corporate) governance(ESG).
- The contents disclosed in the report were enriched based on the evaluation reports from MSCI and FTSE, for example, about our effort on Carbon Neutrality.



(5) Cleaning activity of our local environment (November 19, 2020)

- We held a cleaning activity project of our surrounding area of the factory as part of our contribution to society.
- We annually organize this activity and many employees are voluntarily participating in this activity.



*While cleaning, we are strictly implementing measures to prevent the spread of COVID-19, such as wearing masks.

Countermeasures of COVID-19 Infection (as of January 29,2021)

Countermeasures in Japan

Restricting countermeasures to prevent the spread of COVID-19 after the declaration of state of emergency (blue letters)

- Only minimum required numbers of employees will go to their workplace.
Staff workers will return home at the latest by 20:00.
- Promoting working from home especially for Staff workers(30% work in the office)
- Utilizing the web for meetings and events, in principle, and minimizing the attendee and time
- Restricting of face to face meetings with the external entities
- Upgraded telework environment
- Implementation of staggered working hours.
(Only 4% of the employees commute to Himeji head office by public transportation)
- Implementation of staggered lunch time.
- Installing alcohol disinfectants to each workplace and distributing masks to all employees.
- Installing thermography camera and thermometer at workplace.
- Individual measurement of body temperature before entering workplace for employees and visitors
- Promoting periodical hand-washing, mouth rinsing, disinfection with alcohol, wearing of masks, and frequent ventilation of room
- Prohibition of foreign and domestic business trips, utilization of web meetings, in principle.
- Abstaining from both public and private social gatherings and occasions, in principle.

Countermeasures in overseas' affiliates

- All measures and actions in accordance with the laws, regulations and policy of each country.
- Collecting information of each country and supporting the representatives and their family.
- Individual measurement of body temperature before entering workplace.
- Promoting periodical hand-washing, mouth rinsing, disinfection with alcohol, and wearing of masks.

Emergency Profit Improvement Measures and Actions

Emergency profit improvement measures and actions to realize a swift recovery (announced on January 31, 2020)

	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 unemployment insurance for temporary leave program	Planning to utilize the unemployment insurance for temporary leave program 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	Promoting 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 .

After
COVID-19
(from
March
2020)

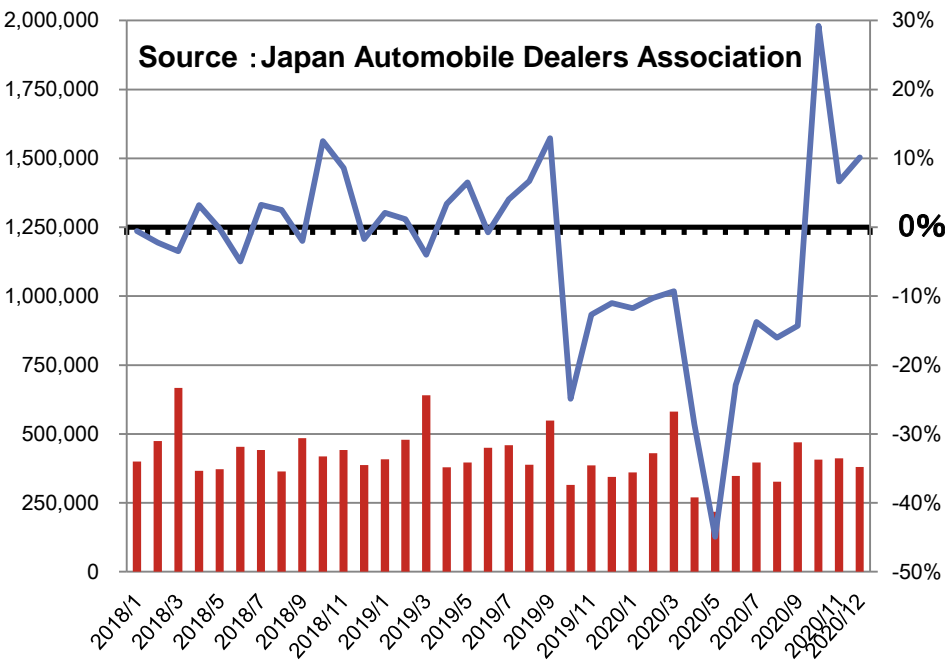
- Utilizing the unemployment compensation scheme for temporary lay off for employees of branch offices, in addition to employees of Himeji Head Office/Plant.
- Higher compensation rate applied, based on the introduction of the Special Measures against Corona Act of the government.
- More reductions in overtime by drop of production and enhancing operational efficiency. Decrease of business trip expenses.
- Utilizing the unemployment compensation scheme for temporary lay off in Ovako, since April, 2020 , and implementing permanent reduction of 120 employees (approx.5% of total personnel).

Trends in Automobile Market

Units of automobile sales in Japan

(Year-on-year rate)

(Unit : 1car)

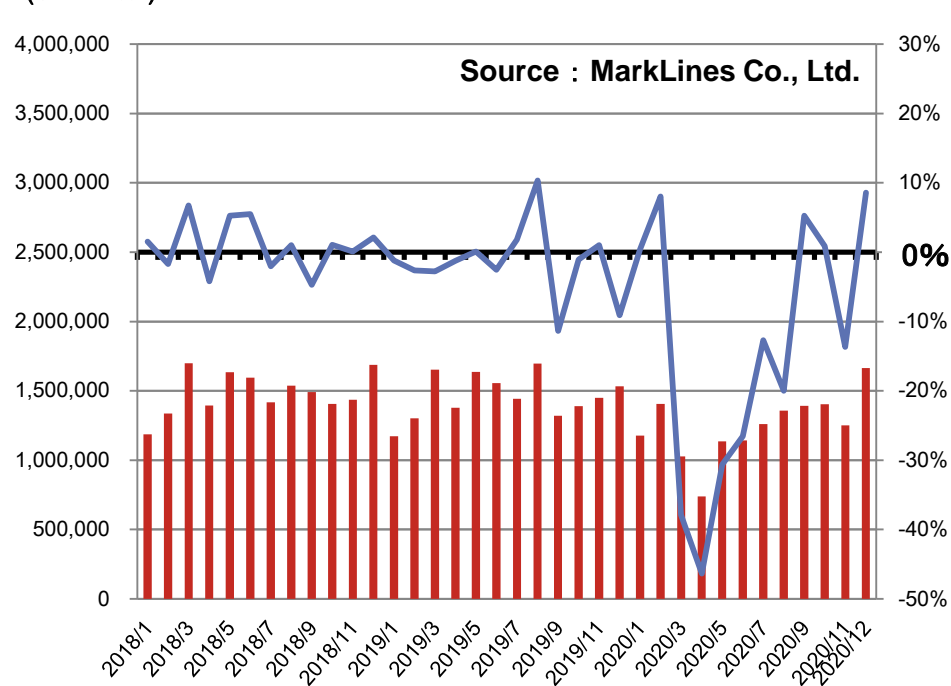


2019/7-9; Demand rush before VAT raise.
 2019/10 ; ▼25% on YoY basis after VAT raise
 and easing decline of sales until 2020/3
 2020/5 ; ▼45% on YoY basis due to COVID-19 impact
 2020/6 ~ ; easing decline of sales
 2020/10 ; +29% on YoY basis due to reduction of sales
 in 2019 triggered by the consumption tax hike
 2020/12 ; +10% on YoY basis

Units of automobile sales in U.S.

(Year-on-year rate)

(Unit : 1car)



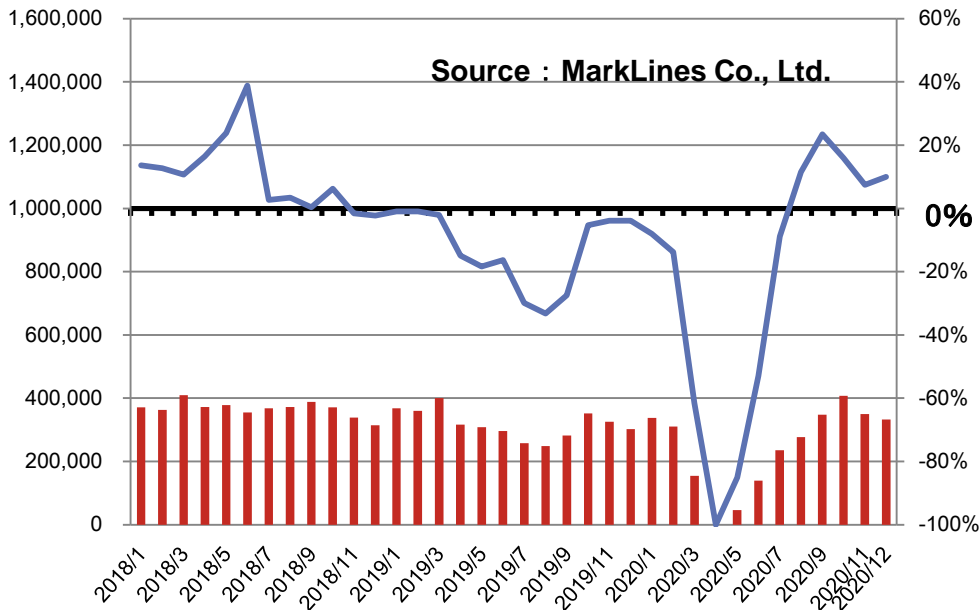
2018 ; Stable sales
 2019 ; Slowing sales due to the effects of labor strike
 and others
 2020/2 ; there is the sign of recovery
 2020/4 ; ▼46% on YoY basis due to COVID-19 impact
 2020/5~ ; easing decline of sales
 2020/9 ; recovering to +5% on YoY basis
 2020/11 ; ▼14% due to fewer business days
 2020/12 ; +9% on YoY basis

Trends in Automobile Market

Units of automobile sales in India

(Year-on-year rate)

(Unit : 1car)

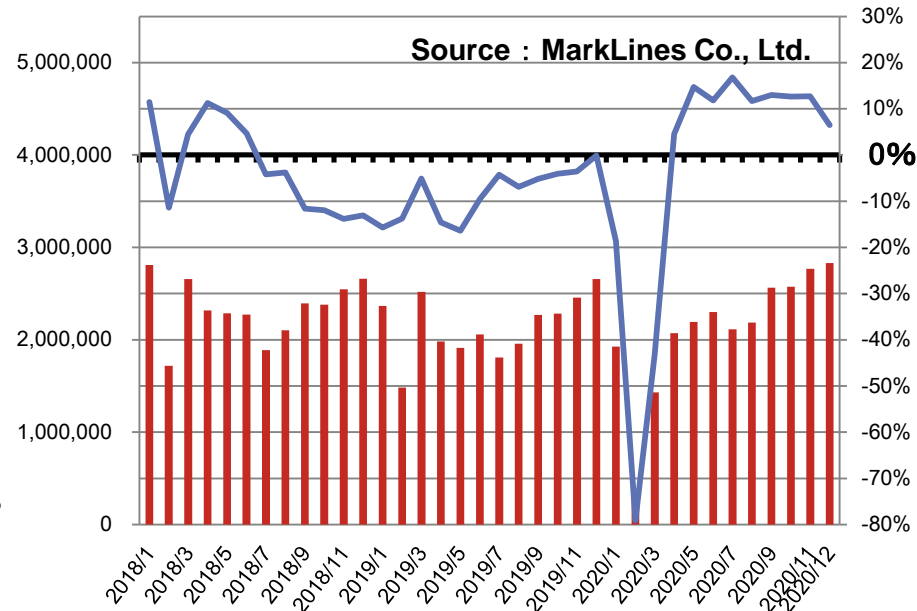


Continuous drop since 2018/07 due to;
 a) higher insurance premiums, b) higher fuel prices, c) tightening automobile loans, and d) deterioration of employment.
 2020/3 ; ▼62% on YoY basis due to COVID-19 impact
 2020/4 ; ▼100% on YoY basis due to lockdown resulting from expansion of COVID-19
 2020/5 ; sales activities resume
 2020/6~ ; easing decline of sales
 2020/9 ; +23% on YoY basis
 2020/12 ; +10% on YoY basis

Units of automobile sales in China (Factory shipment base)

(Year-on-year rate)

(Unit : 1car)

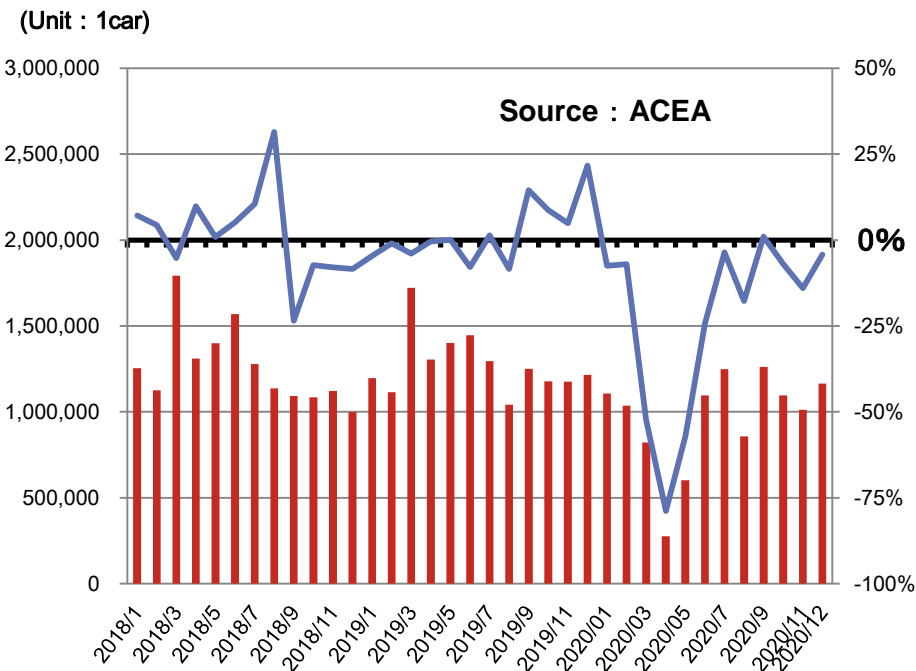


Continuous drop due to; a) the effects of the U.S.-China trade dispute, and b) introduction of new emission restrictions in urban areas from 2018 summer.
 2019 summer ~ ; easing decline of sales
 2020/2 ; ▼79% on YoY basis due to COVID-19 impact
 2020/3~ ; recovering sales
 2020/5~ ; over 10% on YoY basis
 2020/12 ; +7% on YoY basis

Trends in Automobile Market

Units of automobile sales in Europe

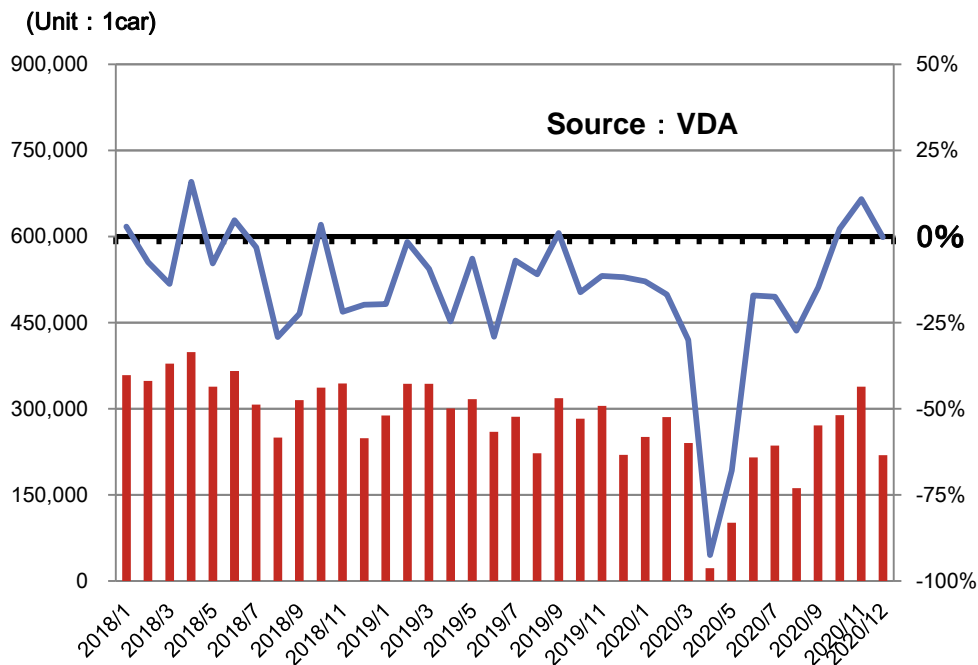
(Year-on-year rate)



2018/9; Huge fluctuation due to WLTP.
Stagnate tendency due to concern of Brexit,
and U.S.- China trade dispute.
Sign of recovery from 2019/9 though absolute
number of units sold is mediocre.
2020/4 ; ▼79% on YoY basis due to COVID-19 impact
2020/5~ ; easing decline of sales
2020/12 ; ▼4% on YoY basis

Units of automobile export from Germany

(Year-on-year rate)



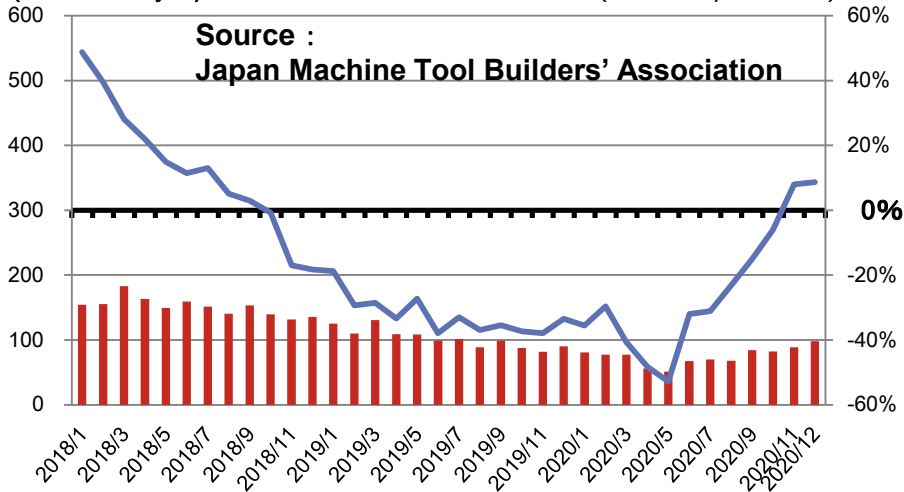
Continuous drop due to;
a) demand decrease in China affected by the
U.S.- China trade dispute.
b) inventory adjustments.
2020/4 ; ▼ 92% decrease on YoY basis
2020/5~ ; easing decline of export
2020/12 ; ▼0% on YoY basis

Trends in Industrial Machinery and Construction Machinery Market

Sales amount of machine tool orders (Japan)

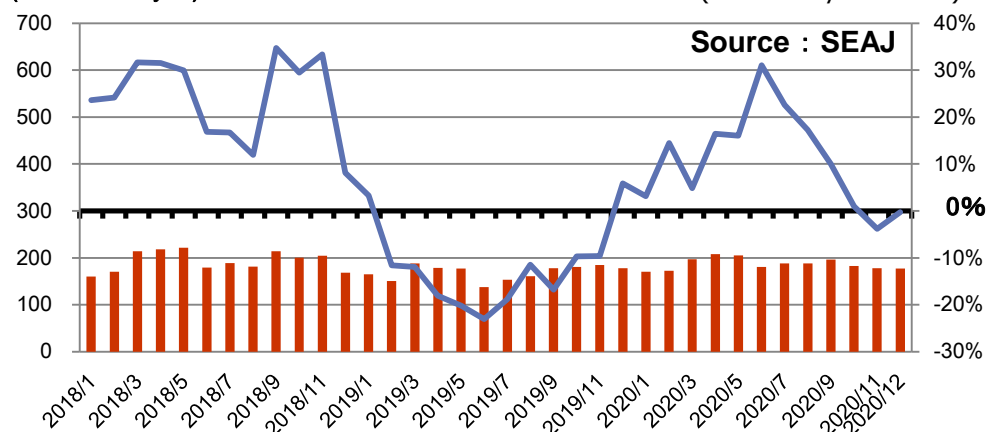
(Unit : billion yen)

(Year-on-year rate)



Sales amount of semiconductor manufacturing equipment (Japanese equipment)

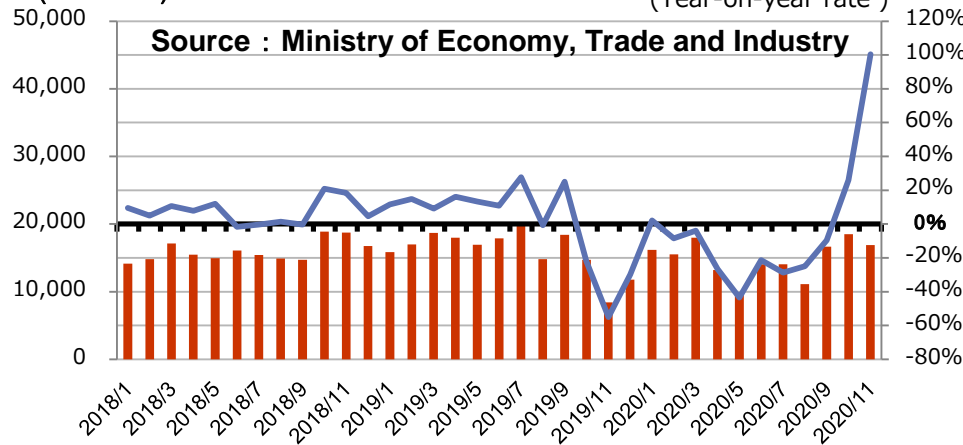
(Unit : billion yen)

(3 month moving average)
(Year-on-year rate)

Domestic production of excavator-based construction machinery

(Unit : 1car)

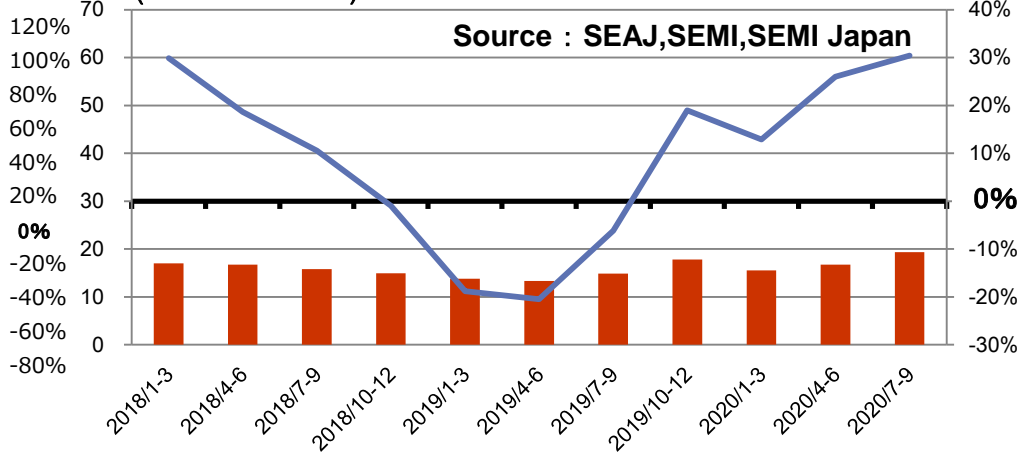
(Year-on-year rate)



Sales amount of world wide semiconductor equipment

(Unit : billion dollars)

(Year-on-year rate)



Machine tools: 2018/10 ~ ; continuous drop due to U.S.-China trade dispute & 2020/5 ; ▼53% on YoY basis due to COVID-19 impact & 2020/6~ ; easing decline of sales and 2020/12 ; +9% on YoY basis

Semiconductor equipment: Recovery from autumn 2019 attributable to increase of 5G and data-center related demand & 2020/7~ drop due to U.S.-China trade dispute

Construction machinery: 2019/10~11 drop due to the consumption tax hike & 2020/2~ continuous drop due to COVID-19 impact & 2020/9 ~ ; increase of sales. 2020/11 ; +100% on YoY basis due to recovery of demand in China and Europe

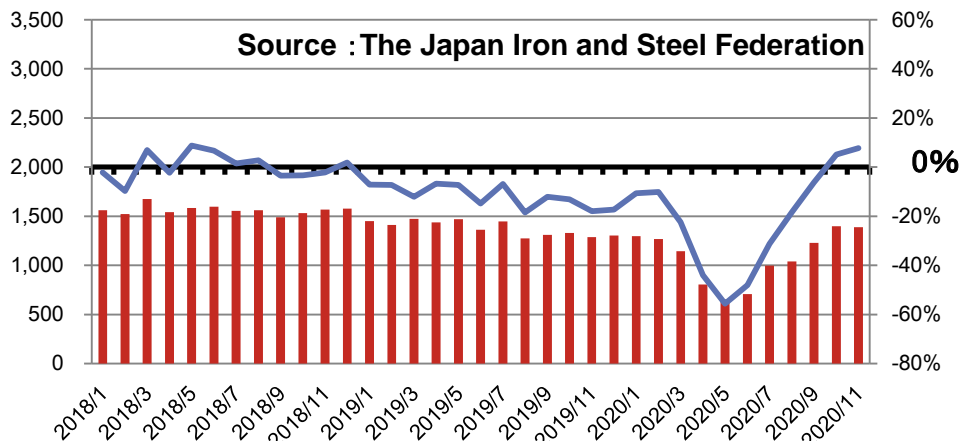
Trends in Special Steel Market

Volume of order booked (Specialty steel products)

(Unit : Thousands of ton)

(Year-on-year rate)

Source : The Japan Iron and Steel Federation

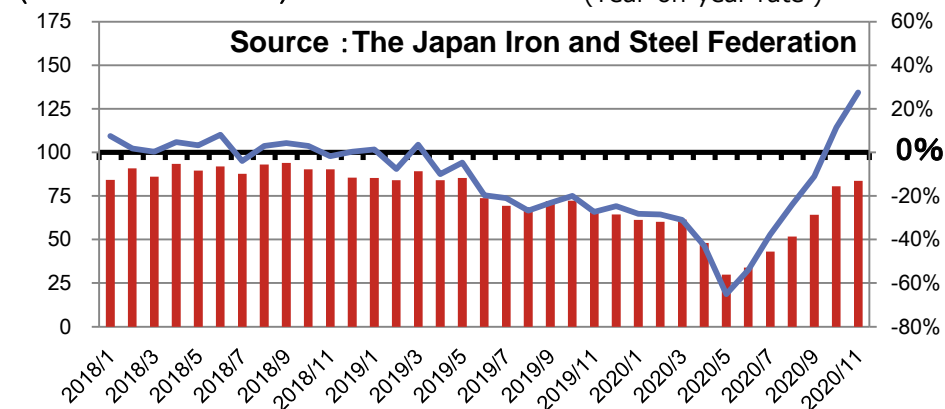


Volume of order booked (Bearing steel)

(Unit : Thousands of ton)

(Year-on-year rate)

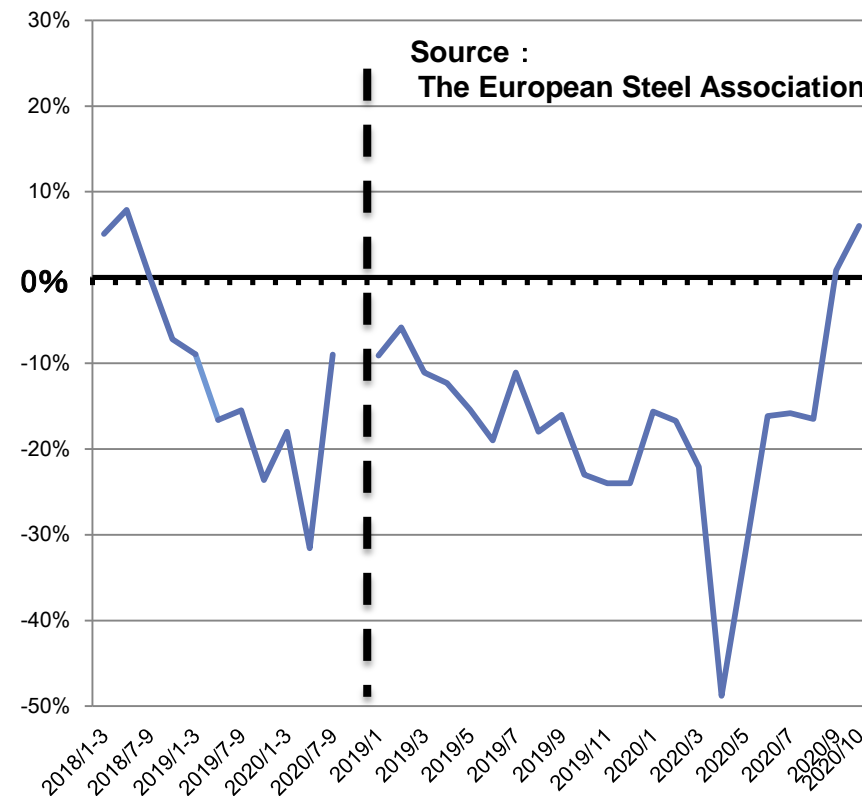
Source : The Japan Iron and Steel Federation



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

(Year-on-year rate)

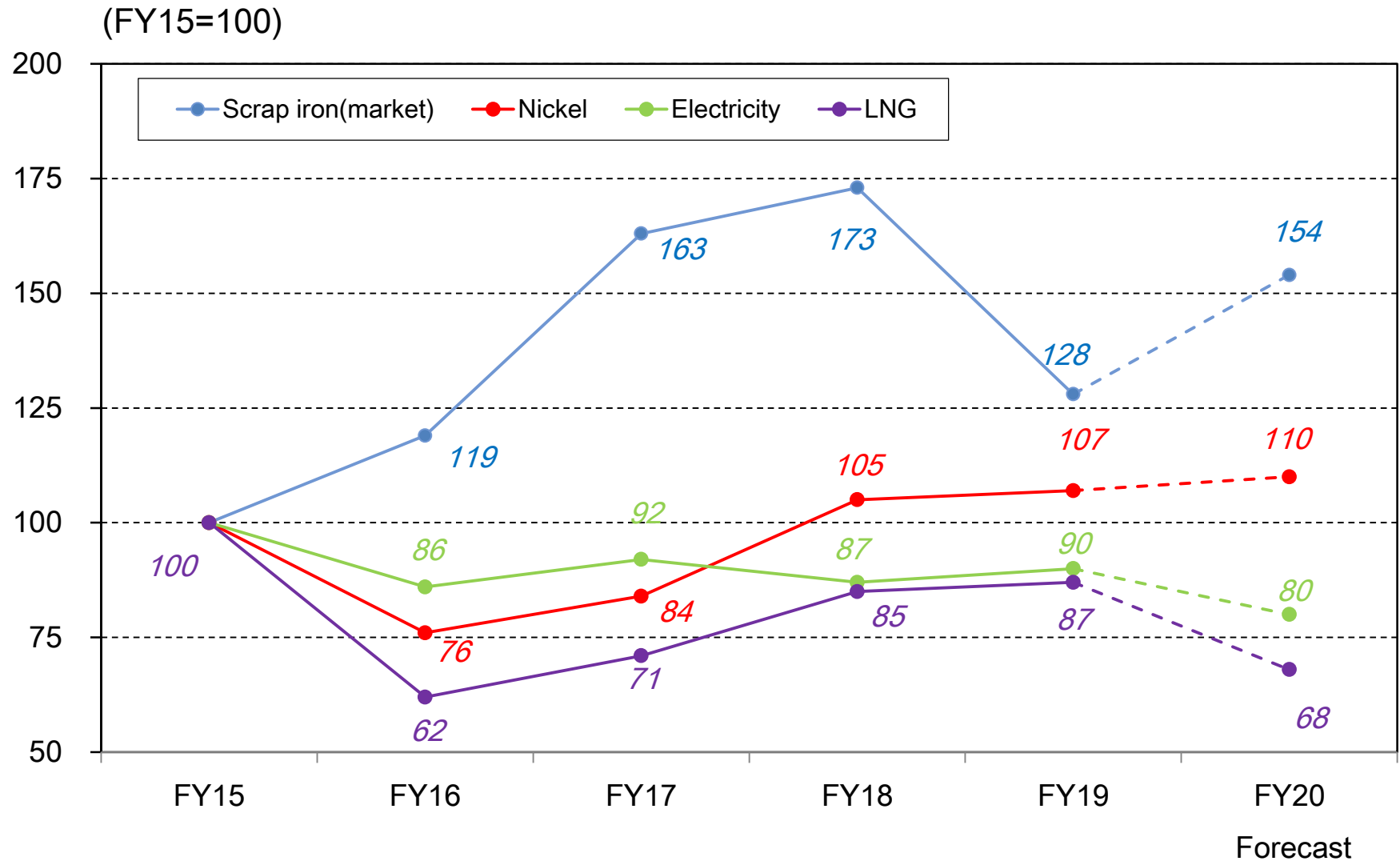
Source : The European Steel Association



Regarding bearing steel, big negative trend from summer 2019 due to 1) Sluggish global demand in the domestic automotive, construction machinery, industrial machinery, and semiconductors sectors, 2) Huge inventory adjustment, and 3) COVID-19 impact. 2020/5 ; ▼65% on YoY basis
2020/6~ ; easing decline due to recovery of sales in China and Europe
2020/11 ; +27% on YoY basis

2018/10 ~ ; negative trend due to 1) Sluggish demand in the European automotive sector, 2) Inventory adjustment in supply chain, and 3) COVID-19 impact.
2020/5~ ; easing decline due to recovery of deliveries & 2020/10; +6% on YoY basis

Raw Materials and Fuel Prices



* Based on purchase price

Outline of Statements of Income(Details)

(Unit : Billion yen)

	FY20 1~3Q (A)	FY19 1~3Q (B)	Change(B) → (A)	(%)
Sales Volume (Thousands of ton)	967	1,283	-316	-24.7
(Sanyo)	478	682	-204	-29.9
(Ovako) *1	427	526	-99	-18.9
(MSSS) *1	62	75	-13	-17.9
Net Sales	148.7	2,03.7	- 55.0	-27.0
(Sanyo)	71.1	106.7	-35.6	-33.3
(Ovako)	65.4	81.2	-15.7	-19.4
(MSSS)	7.0	10.2	-3.2	-31.3
Operating Income	-6.5	1.5	- 8.0	-
(Sanyo)	-0.8	4.1	-5.0	-
(Ovako)	-2.1	0.4	-2.6	-
(MSSS)	-0.9	-0.6	-0.2	-
(Amortization of goodwill)	-1.9	-2.1	+0.2	-
Ordinary Income	-6.7	1.1	- 7.8	-
(Sanyo)	-0.5	4.4	- 5.0	-
(Ovako)	-2.4	-0.0	- 2.4	-
(MSSS)	-1.1	-1.0	-0.1	-
(Amortization of goodwill)	-1.9	-2.1	+0.2	-
Net Income *2	-5.9	0.0	- 5.9	-
Operating Income (Structural Basis) *3	-4.6	3.7	- 8.2	-
Ordinary Income (Structural Basis) *3	-4.8	3.2	- 8.0	-
Net Income (Structural Basis) *3	-3.9	2.2	- 6.1	-

*1 The consolidated accounting period for Ovako and MSSS is January to September 2020.

*2 Profit attributable to owners of parent

*3 Adjusted by amortization of goodwill

(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.