
Overview of Business Results

for the 1st Quarter of Fiscal Year Ending March 31, 2019
(April 2018 → June 2018)



SANYO SPECIAL STEEL



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

Contents

1. FY2018 1Q Results

Outline of Statements of Income

Net Sales and Ordinary Income(quarterly)

Ordinary Income Variance Analysis

Earnings by Business Segment, Changes in Business Segment(quarterly)

Balance Sheets

(Reference) Capital Expenditure and Depreciation

2. FY2018 Forecast

Revision of Business Forecast for FY18

Revision of Dividend Forecast for FY18

Ordinary Income Variance Analysis

3. Reference

Changes in Financial Indicators

Other Topics

Outline of Statements of Income

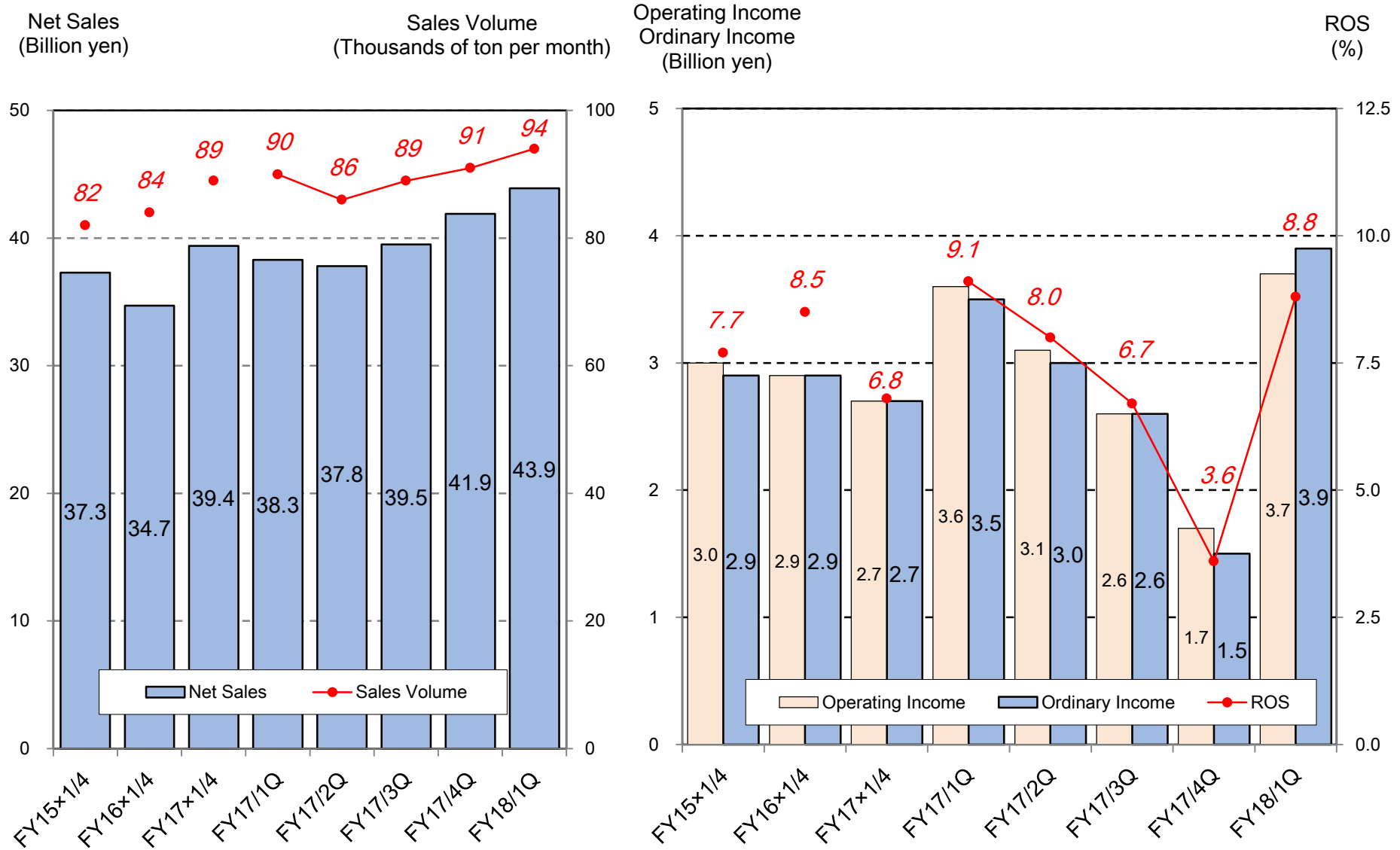
(Unit : Billion yen)

	FY18/1Q (A)		FY17/1Q (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	43.9	100.0	38.3	100.0	+5.6	+14.7
Operating Income	3.7	8.4	3.6	9.3	+0.1	+3.0
Ordinary Income	3.9	<i>ROS</i> 8.8	3.5	<i>ROS</i> 9.1	+0.4	+11.4
Net Income ^{*1}	4.0	9.1	2.3	6.1	+1.7	+71.8
<i>ROE</i> (%) ^{*2}	11.8		7.3		+4.5	

*1 Profit attributable to owners of parent. FY18 1Q includes gains on step acquisition (1.5 billion yen) by making Mahindra Sanyo Special Steel Pvt. Ltd. our subsidiary.

*2 ROE is annualized

Net Sales and Ordinary Income (quarterly)

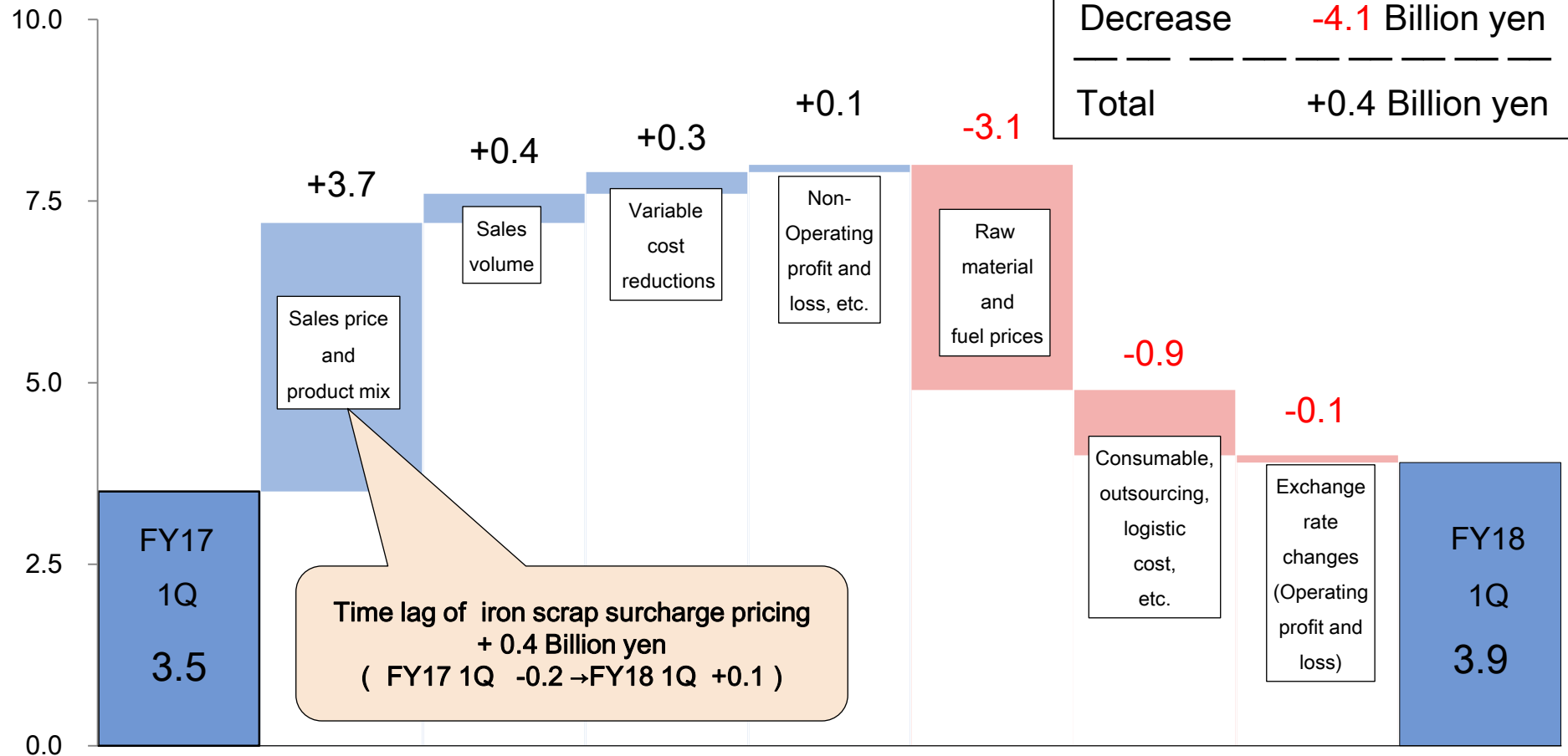


Ordinary Income Variance Analysis

FY17 1Q (3.5) → FY18 1Q (3.9) (+0.4 Billion yen)

(Billion yen)

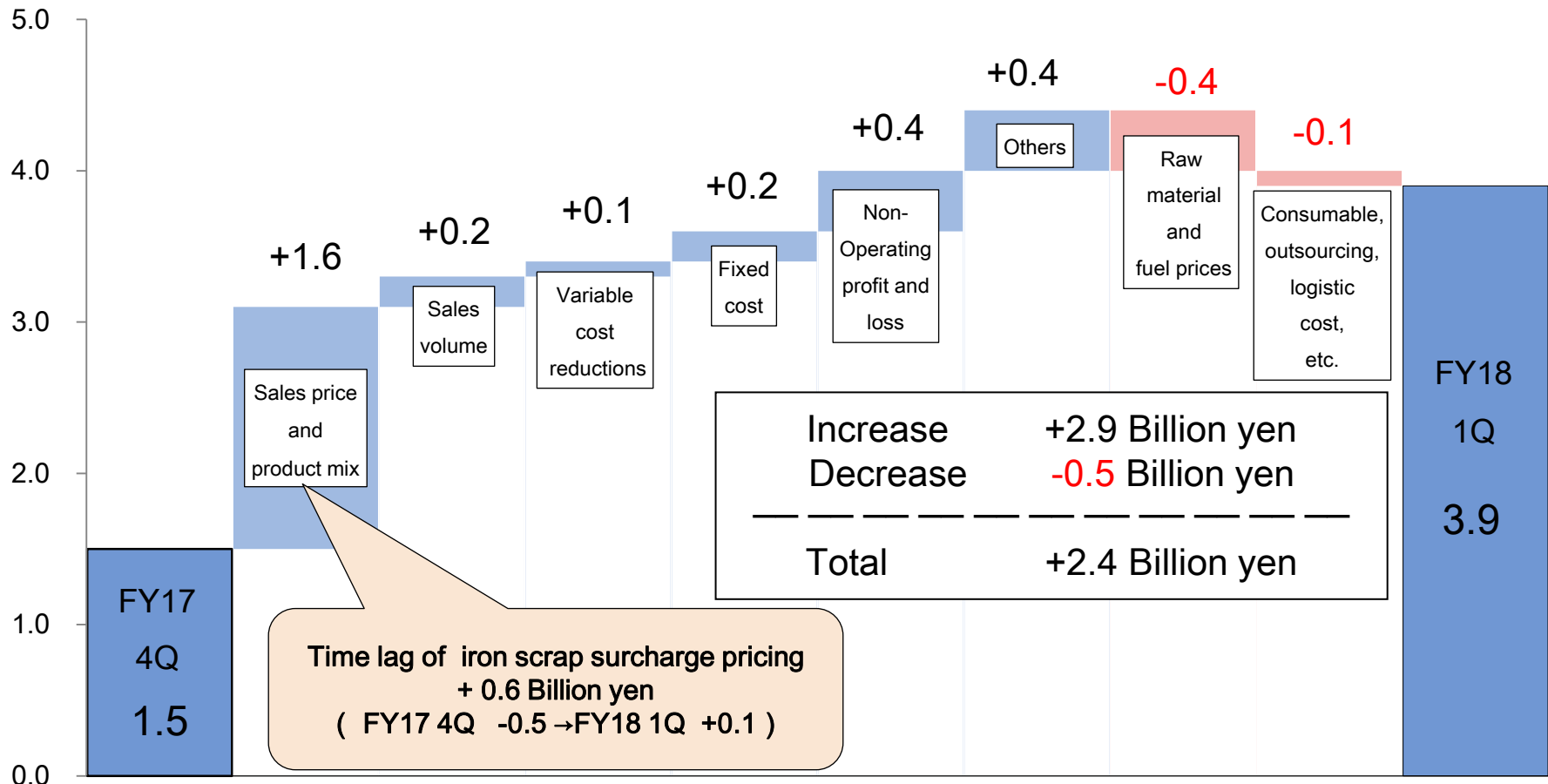
Increase	+4.5 Billion yen
Decrease	-4.1 Billion yen
<hr/>	
Total	+0.4 Billion yen



Ordinary Income Variance Analysis

FY17 4Q (1.5) → FY18 1Q (3.9) (+2.4 Billion yen)

(Billion yen)



Earnings by Business Segment

(Unit : Billion yen)

	FY18/1Q (A)			FY17/1Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products*	40.4	3.2	8.0	34.5	2.9	8.3	+5.8	+0.4	-0.3
Metal Powders*	1.2	0.2	16.4	1.2	0.3	22.8	+0.0	-0.1	-6.4
Formed and Fabricated Materials*	4.7	0.2	4.6	4.5	0.4	8.8	+0.2	-0.2	-4.2
Sub-total	46.3	3.6	7.9	40.2	3.5	8.8	+6.1	+0.1	-0.9
Other	0.3	-0.0	-0.3	0.3	-0.0	-2.9	+0.0	+0.0	+2.6
Adjustments*	-2.7	0.0	—	-2.2	0.0	—	-0.5	-0.0	—
Consolidated Total	43.9	3.7	8.4	38.3	3.6	9.3	+5.6	+0.1	-0.9

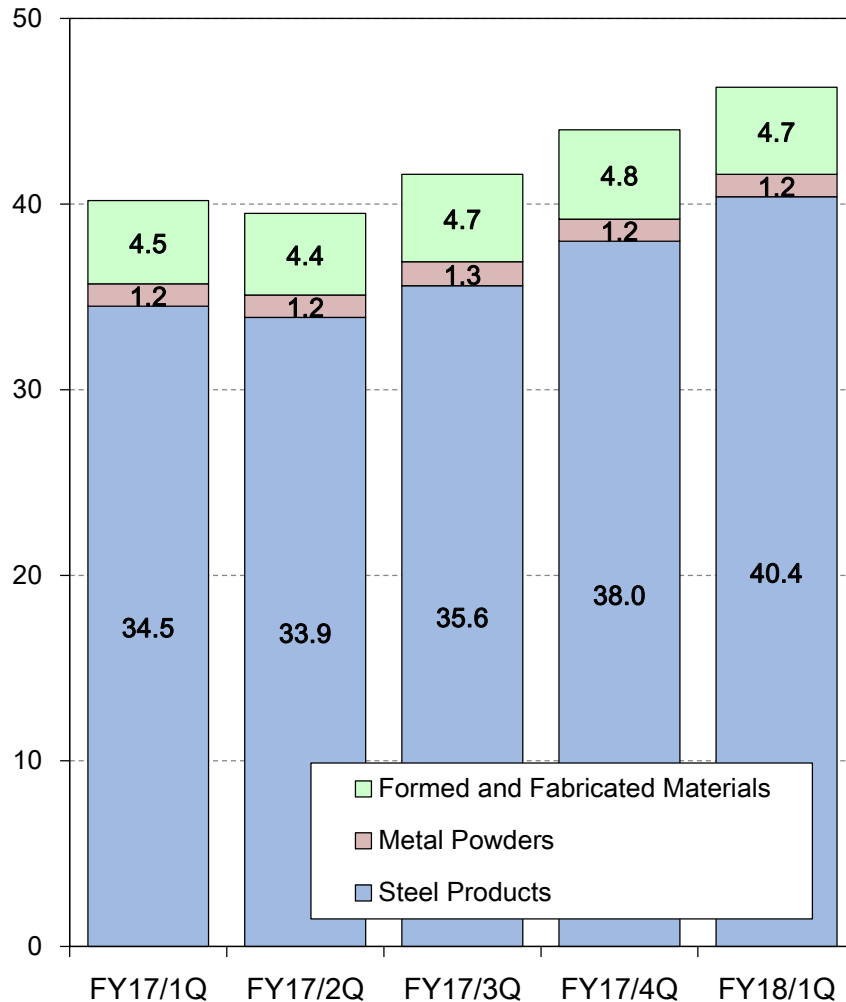
* As a result of the management method change, adjustments of inventory value, which had been included in "Adjustments", are allocated to operating income of each reporting segment from FY18 1Q.

Segment information of FY17 is also described after this change.

Changes in Business Segment(quarterly)

(Billion yen)

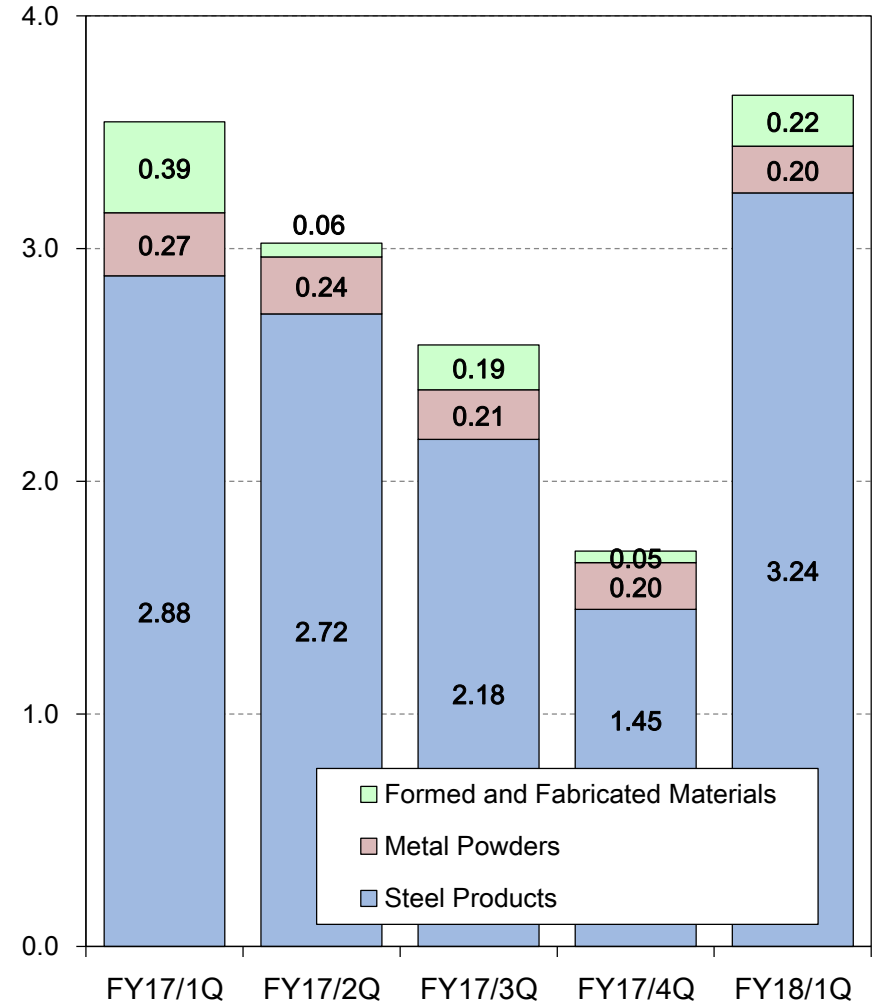
Net Sales*



*Including intersegment transactions

(Billion yen)

Operating Income*



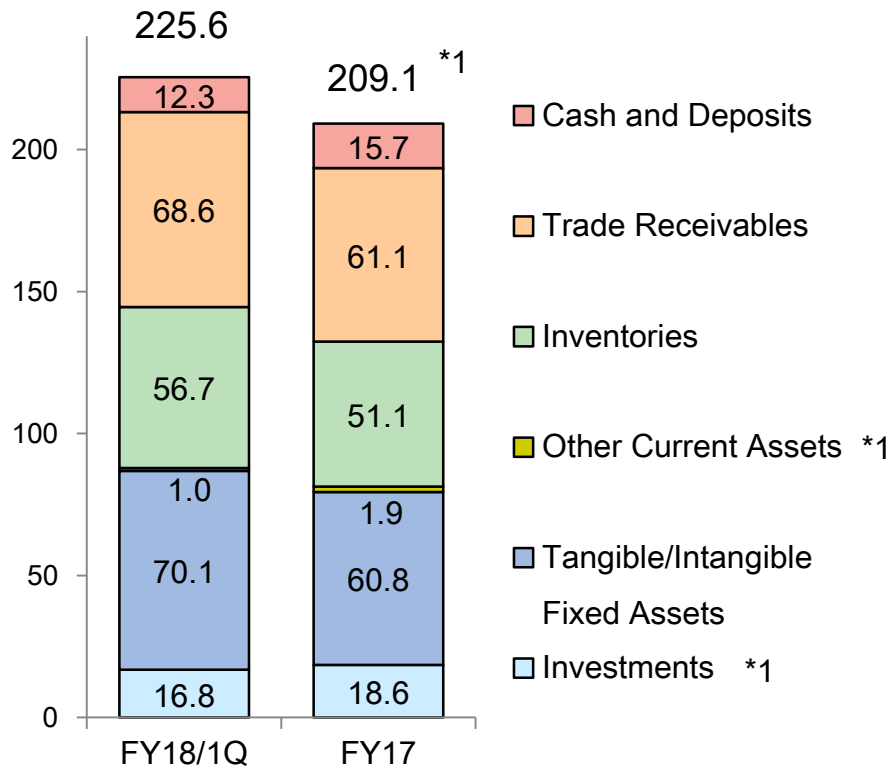
*Including intersegment transactions

Revised by the management method change

Balance Sheets

(Billion yen)

Assets

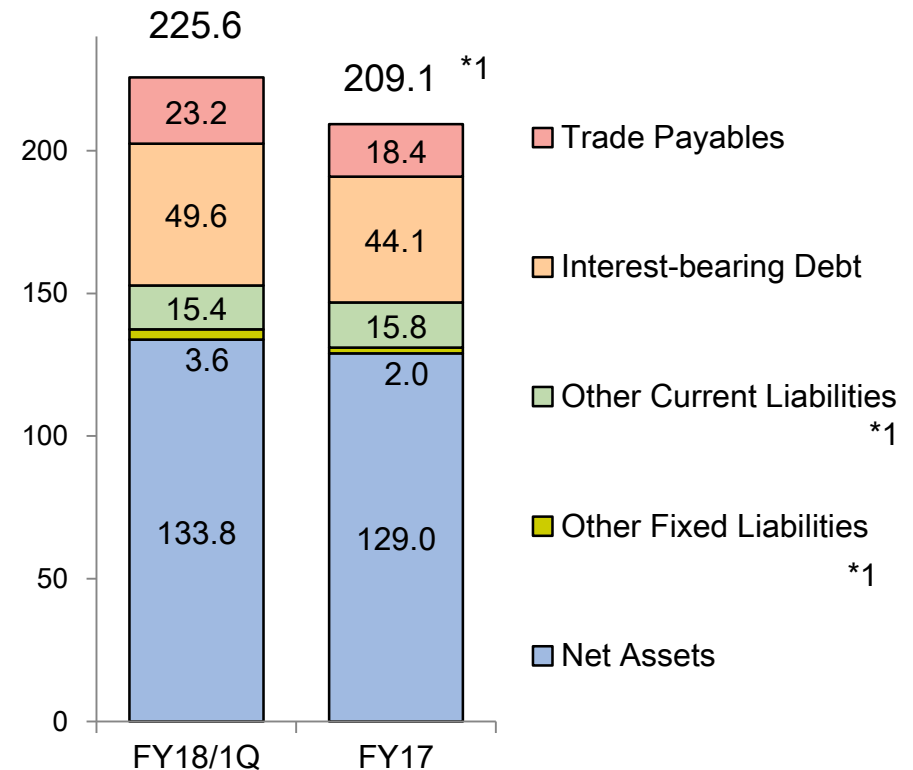


Major changes in Assets +16.5 billion yen

Trade Receivables	+7.6
Inventories	+5.6
Tangible/Intangible Fixed Assets	+9.3

(Billion yen)

Liabilities and Net Assets



Major changes in Liabilities and Net Assets +16.5 billion yen

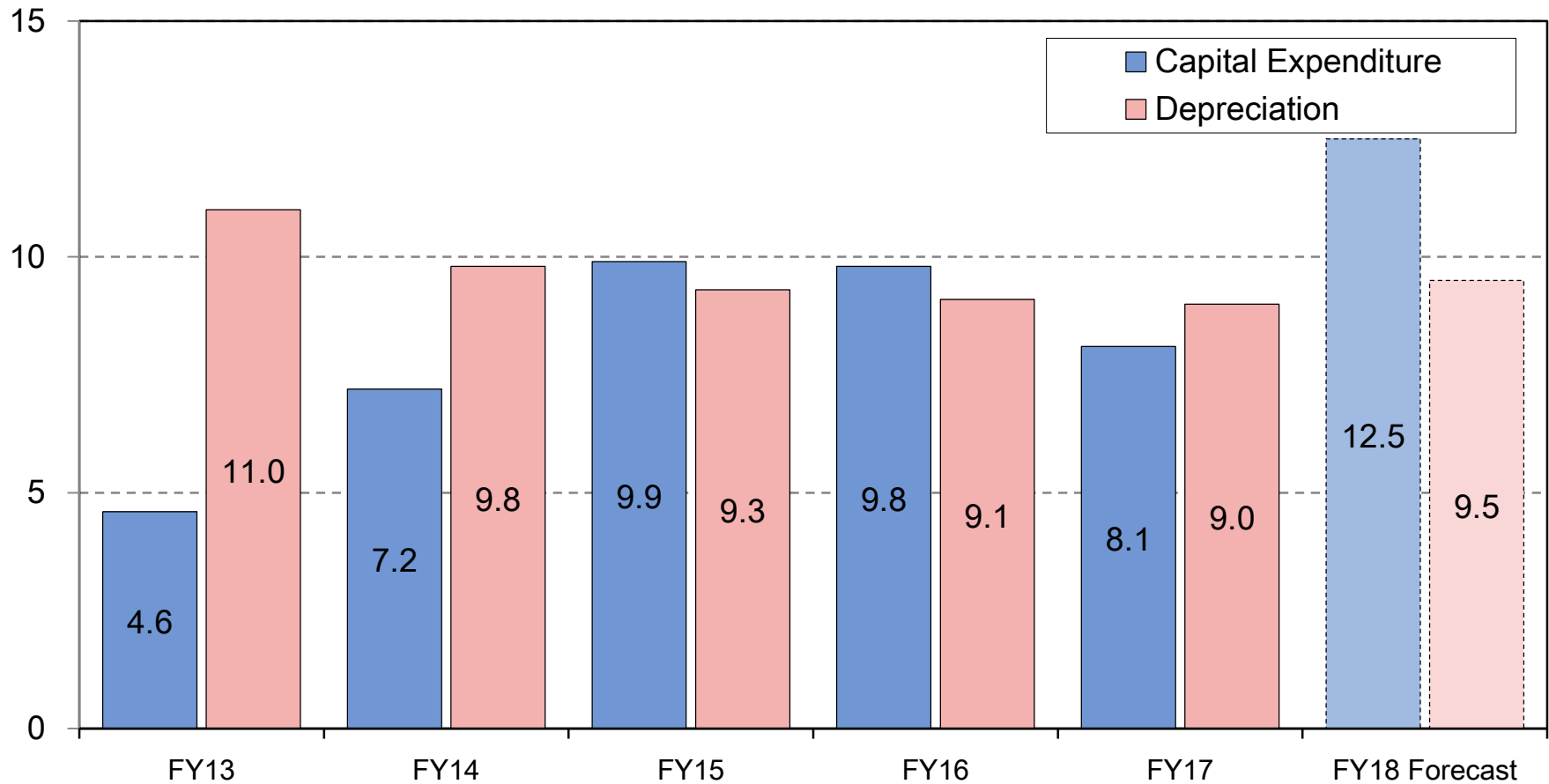
Trade Payables	+4.9
Interest-bearing Debt	+5.5
Net Assets	+4.8

*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 14.2 billion yen.

(Reference) Capital Expenditure and Depreciation

(Billion yen)



Revision of Business Forecast for FY18

(Unit : Billion yen)

	Revised forecast (A)			Previous forecast (B)			Change (B) → (A)		
	FY18 1st Half	FY18 2nd Half	FY18	FY18 1st Half	FY18 2nd Half	FY18	FY18 1st Half	FY18 2nd Half	FY18
<i>Sales Volume</i> (Thousands of ton per month)*1	98.0	104.5	101.3	96.5	103.0	99.8	1.5	1.5	1.5
Net Sales*1	90.0	95.0	185.0	90.0	95.0	185.0	—	—	—
Operating Income*2	5.5	4.5	10.0	5.0	5.0	10.0	+0.5	-0.5	—
Ordinary Income*2	5.5	4.0	9.5	4.5	4.5	9.0	+1.0	-0.5	+0.5
Net Income*2,3	5.0	3.0	8.0	3.1	3.1	6.1	+2.0	-0.1	+1.9

*1 Including sales of MSSSPL (*4) which has been our subsidiary since June 2018
MSSSPL's Sales volume:13,000 t /M, Net Sales : 5 billion yen/Q(from FY18 2Q)

*2 Revised forecast includes amortization of goodwill (0.3 billion yen) related to MSSSPL.

*3 Profit attributable to owners of parent. Revised forecast includes gains on step acquisition (1.5 billion yen) by making MSSSPL our subsidiary.

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

Major assumptions

- Scrap iron 34,500 yen/t
(H2 market price in Himeji area)
- Crude oil(Dubai) 75\$/BL
- Exchange rate 110 yen/US\$

Revision of Dividend Forecast for FY18

		Revised forecast (A)			Previous forecast (B)			Change (B) → (A)			(Ref.) FY17
		FY18 1st Half	FY18 2nd Half	FY18	FY18 1st Half	FY18 2nd Half	FY18	FY18 1st Half	FY18 2nd Half	FY18	
Net Income*1	Billion yen	5.0	3.0	8.0	3.1	3.1	6.1	+2.0	-0.1	+1.9	7.0
Earnings Per Share*2,3	¥/share	155.2	—	246.3	94.7	—	189.4	+60.5	—	+56.9	218.3
Dividend*2	¥/share	45.0	26.5	71.5	27.0	27.0	54.0	+18.0	-0.5	+17.5	58.5
Payout Ratio*3,4	%	29.0	—	29.0	28.5	—	28.5	+0.5	—	+0.5	26.8

*1 Profit attributable to owners of parent.

*2 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.

*3 We will conduct a third-party allotment effective on March 28, 2019.

Earnings Per Share and Payout Ratio in Revised forecast are calculated based on average number of shares after this issuance.

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

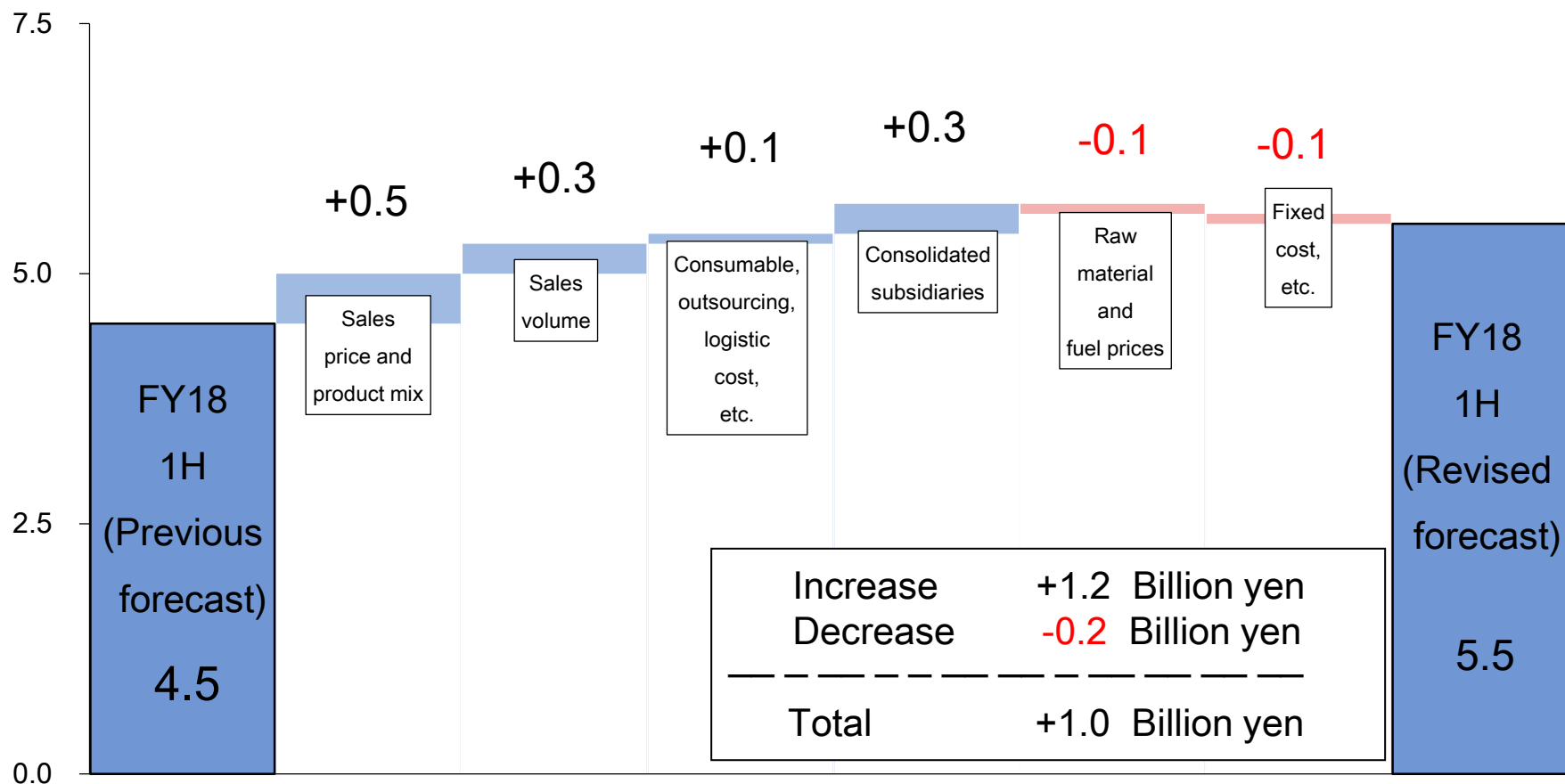
< Dividend Policy >

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

Ordinary Income Variance Analysis

Previous forecast
FY18 1st Half (4.5) → Revised forecast
FY18 1st Half (5.5)(+1.0 Billion yen)

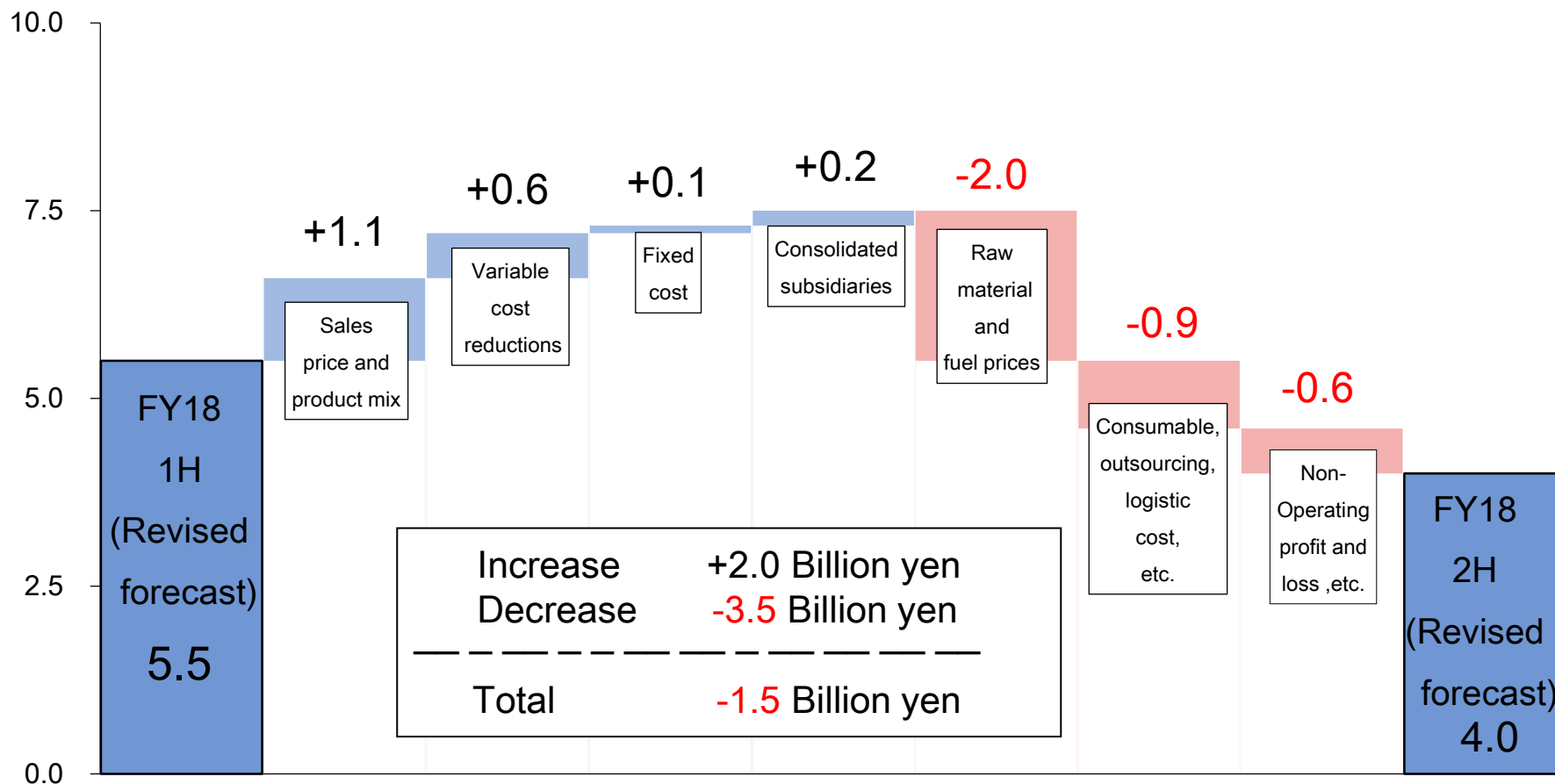
(Billion yen)



Ordinary Income Variance Analysis

FY18 1st Half (5.5) → FY18 2nd Half (4.0) (-1.5 Billion yen)

(Billion yen)



Changes in Financial Indicators

		FY13	FY14	FY15	FY16	FY17	FY18 1Q
ROE (Net Income to Net Assets) *1	%	4.1	6.1	6.6	6.6	5.6	11.8
ROS (Ordinary Income to Net Sales)	%	4.2	5.7	7.7	8.5	6.8	8.8
ROA (Ordinary Income to Total Assets) *1,2	%	3.4	4.8	6.0	6.5	5.4	6.9
Equity Ratio*2	%	50.2	55.8	62.4	66.7	61.0	57.5
Interest-bearing Debt (Net)	Billion yen	47.8	33.2	14.3	12.7	28.4	37.3
Net D/E Ratio *3	Times	0.46	0.29	0.13	0.10	0.22	0.28
Earnings Per Share*4	¥/share	126.0	203.0	230.0	241.5	218.3	123.8
Net Assets Per Share*4	¥/share	3,167	3,498	3,483	3,797	3,961	4,029
Number of Employees at End of Period*5	Persons	2,775	2,706	2,625	2,598	2,666	3,765

The 10th
Mid-term
Business
Plan

7.0

9.0

7.0

0.20

*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.

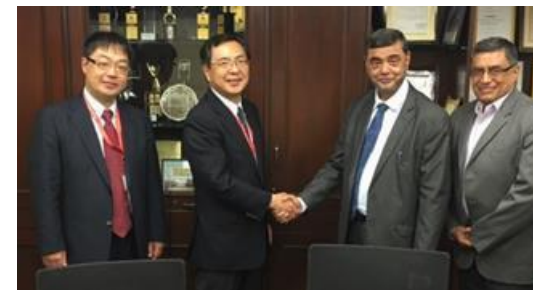
Earnings Per Share and Net Assets Per Share are adjusted after the one-for-five reverse stock split .

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

Other Topics

(1) Completion of making MSSSPL(*) our consolidated subsidiary

- We further acquired shares of MSSSPL and made it our consolidated subsidiary on June 21, 2018.
 - 1) The proportion of voting rights : 29.0% to 51.0%
 - 2) The consideration for purchase additional share : About INR 1.5 billion (About JPY 2.4 billion)
- MSSSPL is our first subsidiary, both inside and outside Japan, that engages in integrated manufacturing and sales of special steel products.
- MSSSPL aims to be a leading Indian manufacturer in quality, productivity, cost and competitiveness as our factory in order to strengthen our capabilities to respond to market growth and customers' requests in India.



MSSSPL's Appearance

【MSSSPL's outline】 (*)

Name	: Mahindra Sanyo Special Steel Pvt. Ltd.
Location	: Maharashtra, India
Establishment	: 1962(joint business started from 2012)
Sales	: About INR 9.1 billion (About JPY 15.5 billion) (note1,2)
Business	: Manufacture and Sale of Special Steel Products

(note)

1 The figures are for FY 2017.

2 JPY figures are for reference, calculated at the rate of INR1.00 = JPY1.7.

Location



Other Topics

(2) Making Sanyo (*1) a Subsidiary of NSSMC (*2) and Making Ovako (*3) a Subsidiary of Sanyo

- We announced in the press release titled “Commencement of Discussions Regarding Making Sanyo a Subsidiary of NSSMC and Other Matters” dated March 15, 2018. We have come to an agreement on the terms and conditions, and an agreement was executed on August 2, 2018.
- We intend to conduct the following transactions on March 28, 2019.
 - 1) Making Sanyo a Subsidiary of NSSMC
Sanyo’s third-party allotment underwritten by NSSMC for procuring funds to acquire all the shares of Ovako
 - 2) Making Ovako a Subsidiary of Sanyo
Transfer of all the shares of Ovako to Sanyo from NSSMC
- The policy is to maintain the listing of Sanyo on the First Section of the Tokyo Stock Exchange.

*For the details, please refer to the document titled “Regarding the Agreement to Make Sanyo Special Steel a Subsidiary of Nippon Steel & Sumitomo Metal and Other Matters” on our website.

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

*2 NSSMC : Nippon Steel & Sumitomo Metal Corporation

*3 Ovako : Ovako AB



【Ovako’s outline】

Name	: Ovako AB
Location	: Sweden(headquarter)
Sales	: About EUR 0.92 billion (About JPY 120 billion) (note1,2)
Sales volume	: About 780,000 tons (note1)
Employees	: About 3,000
Business	: Manufacture and Sale of Special Steel and Secondarily Processed Products

(note)

1 The figures are for FY 2017.

2 JPY figures are for reference, calculated at the rate of EUR1.0 = JPY130.

Other Topics

(3) Development of Sanyo Ultra Refining Process (SURP)

- We have developed the Sanyo Ultra Refining Process (SURP), marking additional progress in Sanyo New Refining Process (SNRP).
- SNRP is a process that allows the mass production of high-quality ultra-high-cleanliness steel. It not only reduces the volume of inclusions, it also controls (reduces) the size of large inclusions.
- We found new ways to reduce the frequency of large inclusions by means of controlling their composition (type, quantity, and fraction of their trace components).
- We have developed SURP, helping to reduce the frequency of large non-metallic inclusions by adding to the inclusion-control technology of SNRP.
- We expect that applying this technology to bearings and other rotating parts for high-speed rail train components, wind turbines, and industrial equipment, which involve heavy loads that require stable operation in extreme, severe lubrication environments enables to respond to needs for higher reliability and maintenance-free operation.

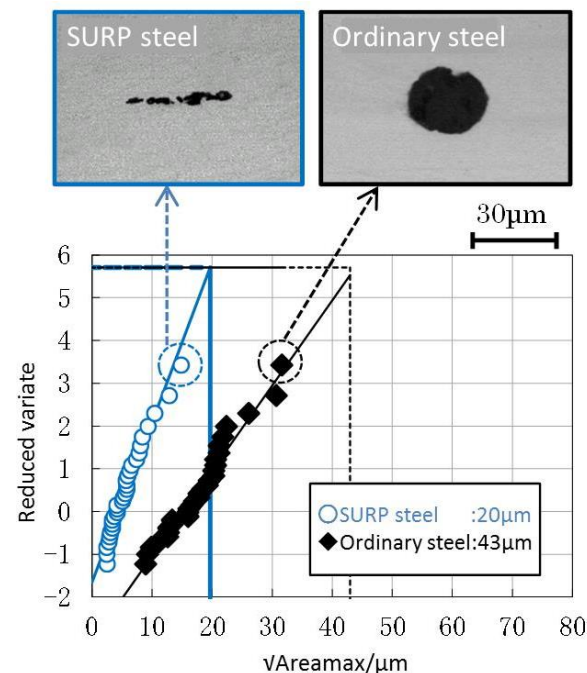


Fig. Example of extreme value statistical result of hardening steel

Other Topics

(4) Die & Mould India International Exhibition

- This exhibition, the most popular mould & die show in India, was held in Mumbai from April 11 to 14, 2018.
- About 260 companies exhibited from 19 countries worldwide.
- We introduced our highly reliable products such as Cold/Hot working tool steels, Plastic mold steels, P/M high speed steels and others.
- More than 150 visitors came to our booth.




(5) Cultural lecture sponsored by Sanyo Special Steel Culture Promotion Foundation

- It was held at Himeji City Cultural Center in May 2018.
- The lecture was presented by Junichiro Kawaguchi of the Japan Aerospace Exploration Agency (JAXA) with a sense of humor.
- He explained the following things.
 - 1) Struggling stories about development of the asteroid explorer "Hayabusa".
 - 2) The status of the development competition of space explorers in Europe in those days.





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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)