
Overview of Business Results

for the Fiscal Year Ending March 31, 2018
(April 2017 → March 2018)



SANYO SPECIAL STEEL



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

Contents

1. FY2017 Results

Outline of Statements of Income

Net Sales and Ordinary Income

Ordinary Income Variance Analysis

Raw Materials and Fuel Prices

Earnings by Business Segment, Changes in Business Segment

Balance Sheets

Statements of Cash Flows

D/E Ratio

(Reference) Capital Expenditure and Depreciation

Year-end Dividend

2. FY2018 Forecast

Business Forecast for FY18

Ordinary Income Variance Analysis

3. Reference

Changes in Financial Indicators

Other Topics

Outline of Statements of Income

(Unit : Billion yen)

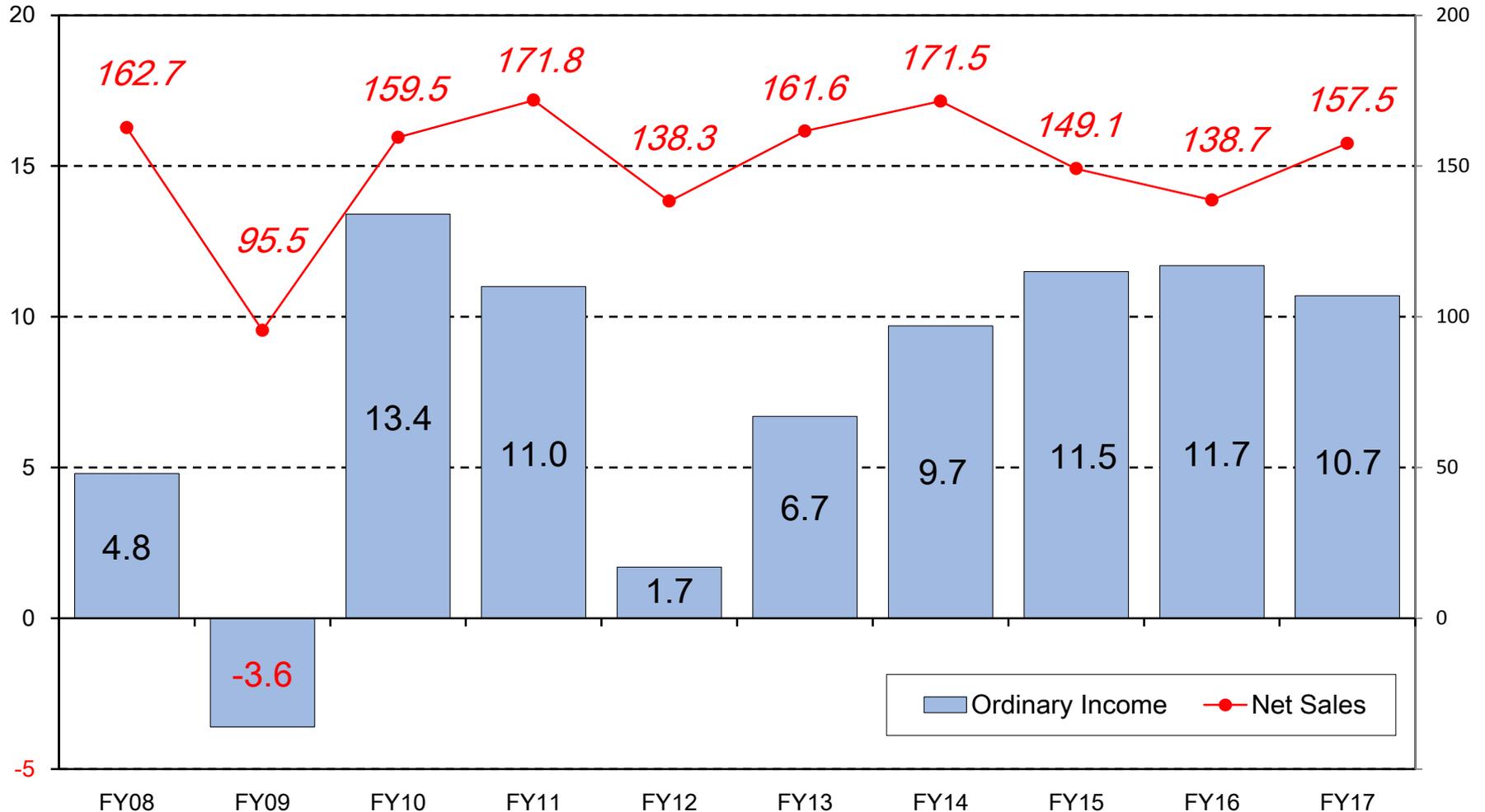
	FY17 (A)		FY16 (B)		Change (B) → (A)		FY17 Forecast (Announced on Oct. 27 2017)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	157.5	100.0	138.7	100.0	+18.8	+13.6	150.0	100.0
Operating Income	11.0	7.0	11.7	8.4	-0.7	-6.1	11.8	7.9
Ordinary Income	10.7	<i>ROS</i> 6.8	11.7	<i>ROS</i> 8.5	-1.1	-9.2	11.8	<i>ROS</i> 7.9
Net Income*	7.0	4.5	7.8	5.6	-0.7	-9.6	7.8	5.2
ROE(%)	5.6		6.6		-1.0			

* Profit attributable to owners of parent.

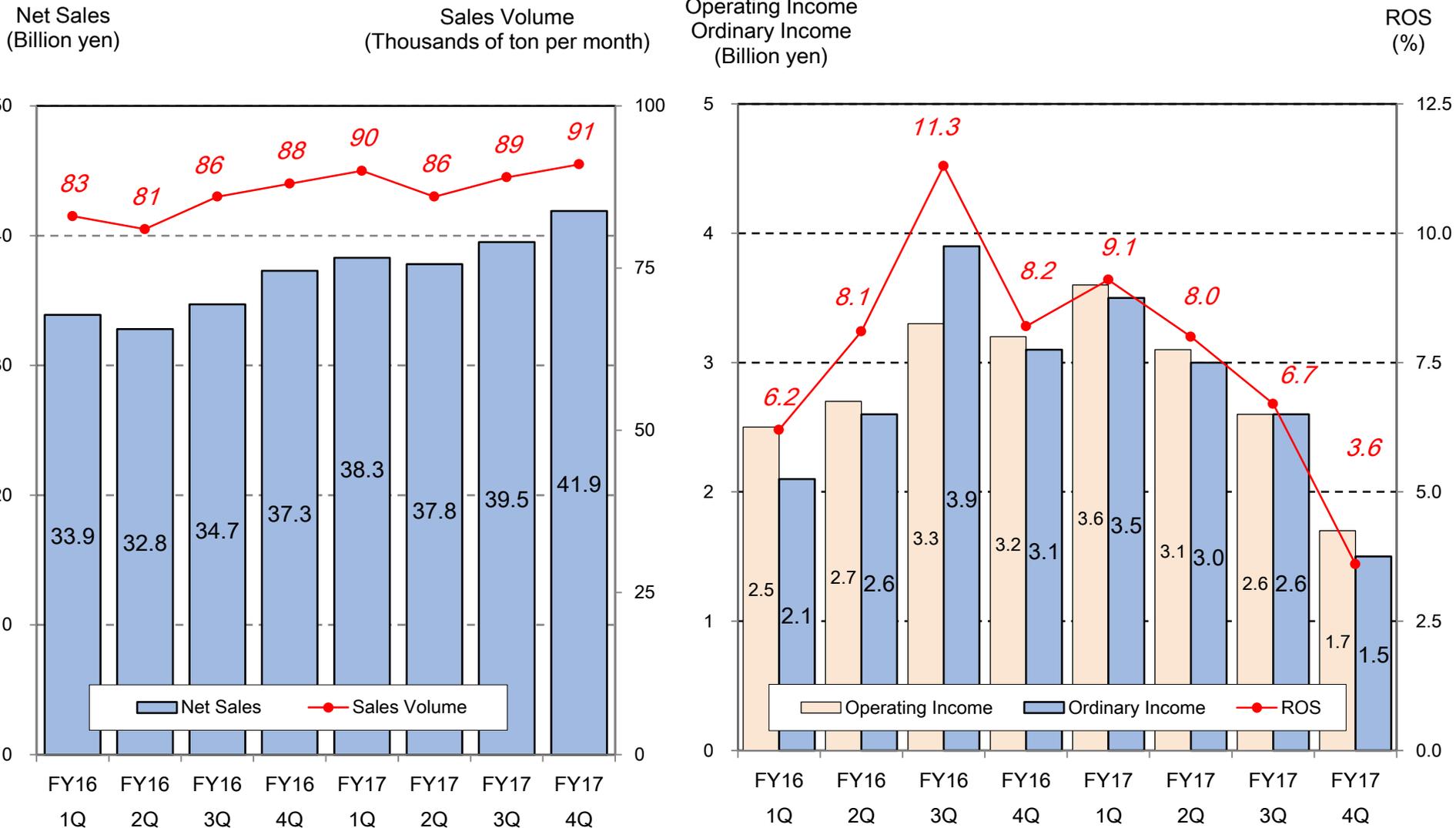
Net Sales and Ordinary Income(fiscal)

Ordinary Income
(Billion yen)

Net Sales
(Billion yen)



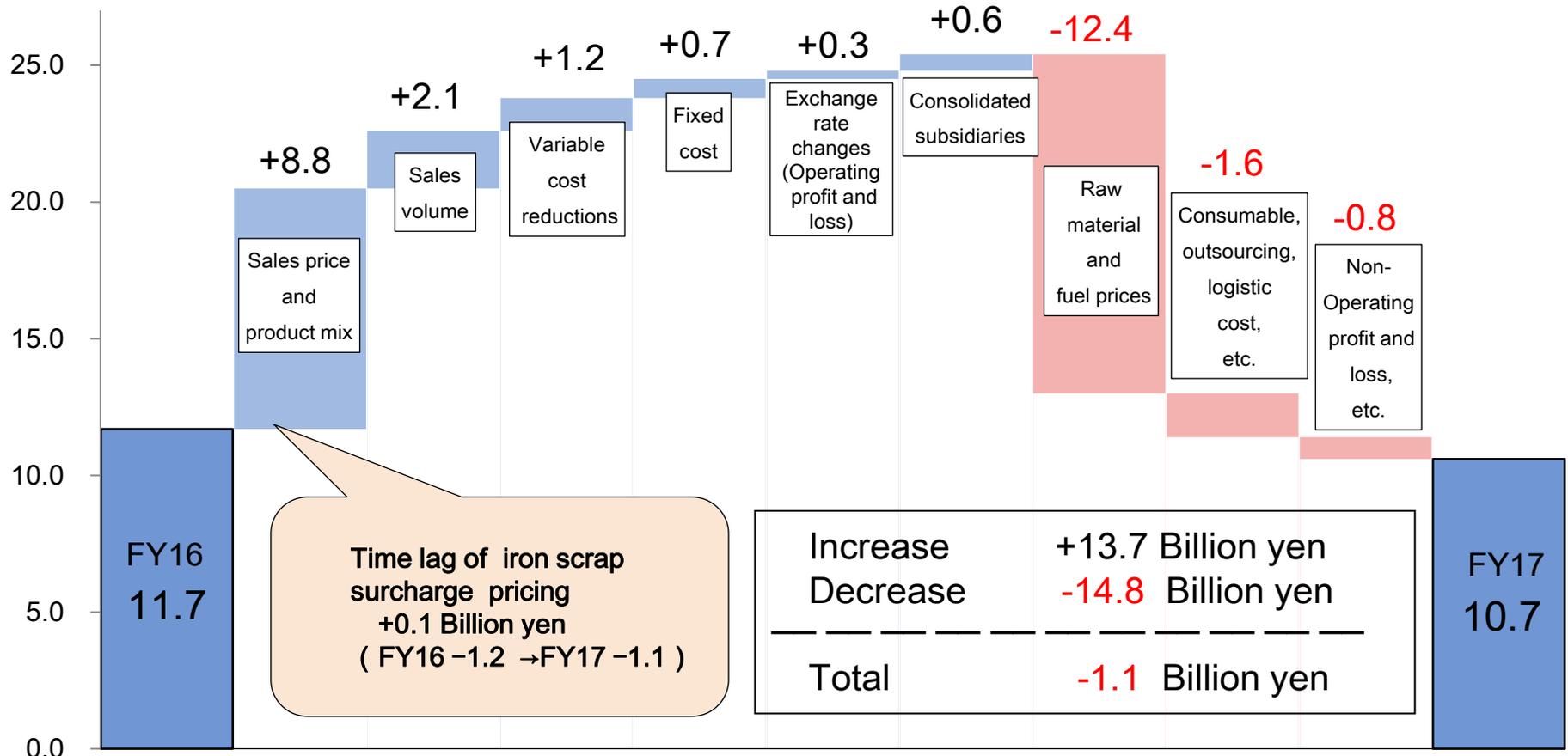
Net Sales and Ordinary Income (quarterly)



Ordinary Income Variance Analysis

FY16(11.7) → FY17(10.7) (-1.1 Billion yen)

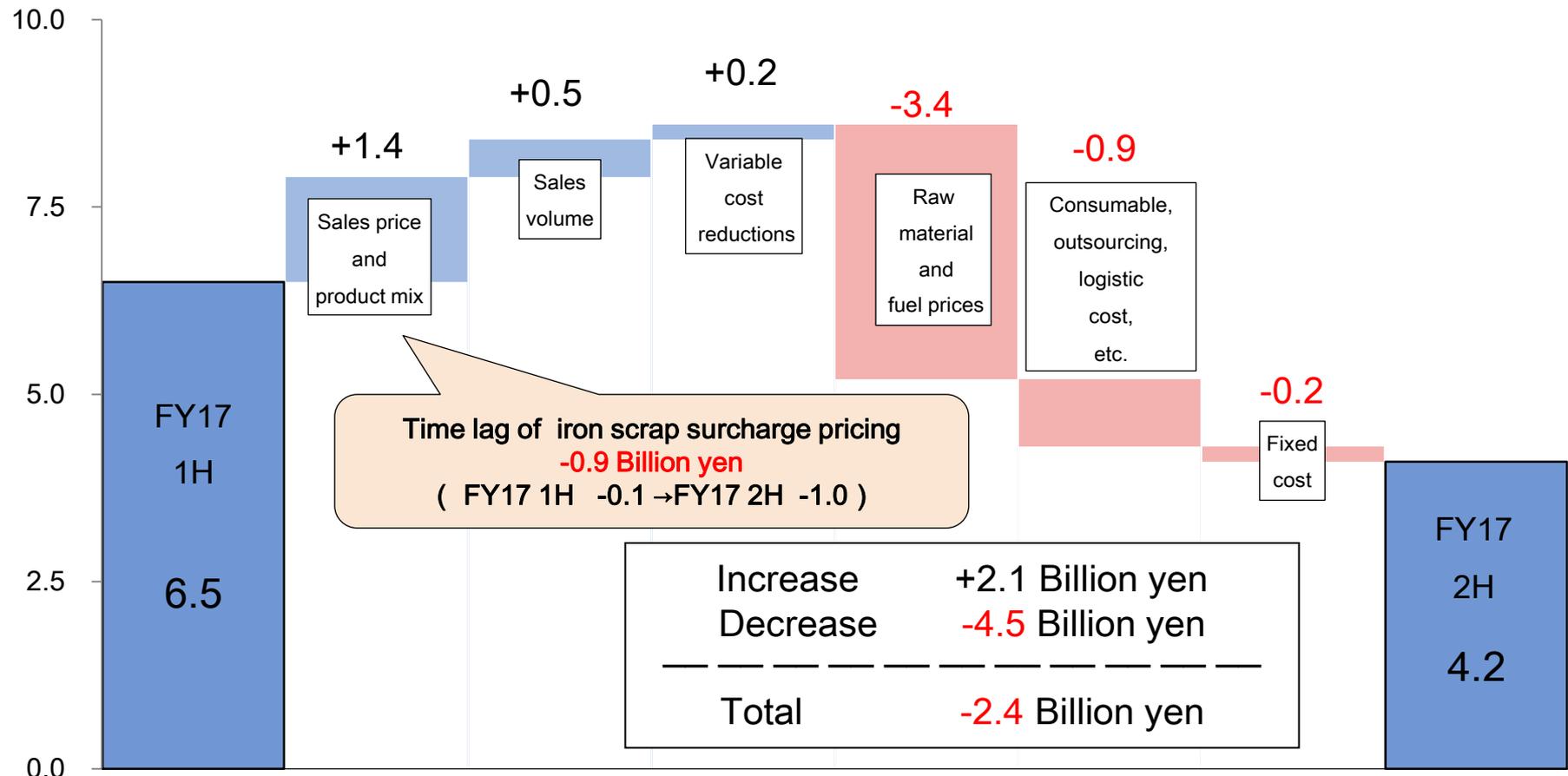
(Billion yen)



Ordinary Income Variance Analysis

FY17 1st Half(6.5) → FY17 2nd Half(4.2) (-2.4 Billion yen)

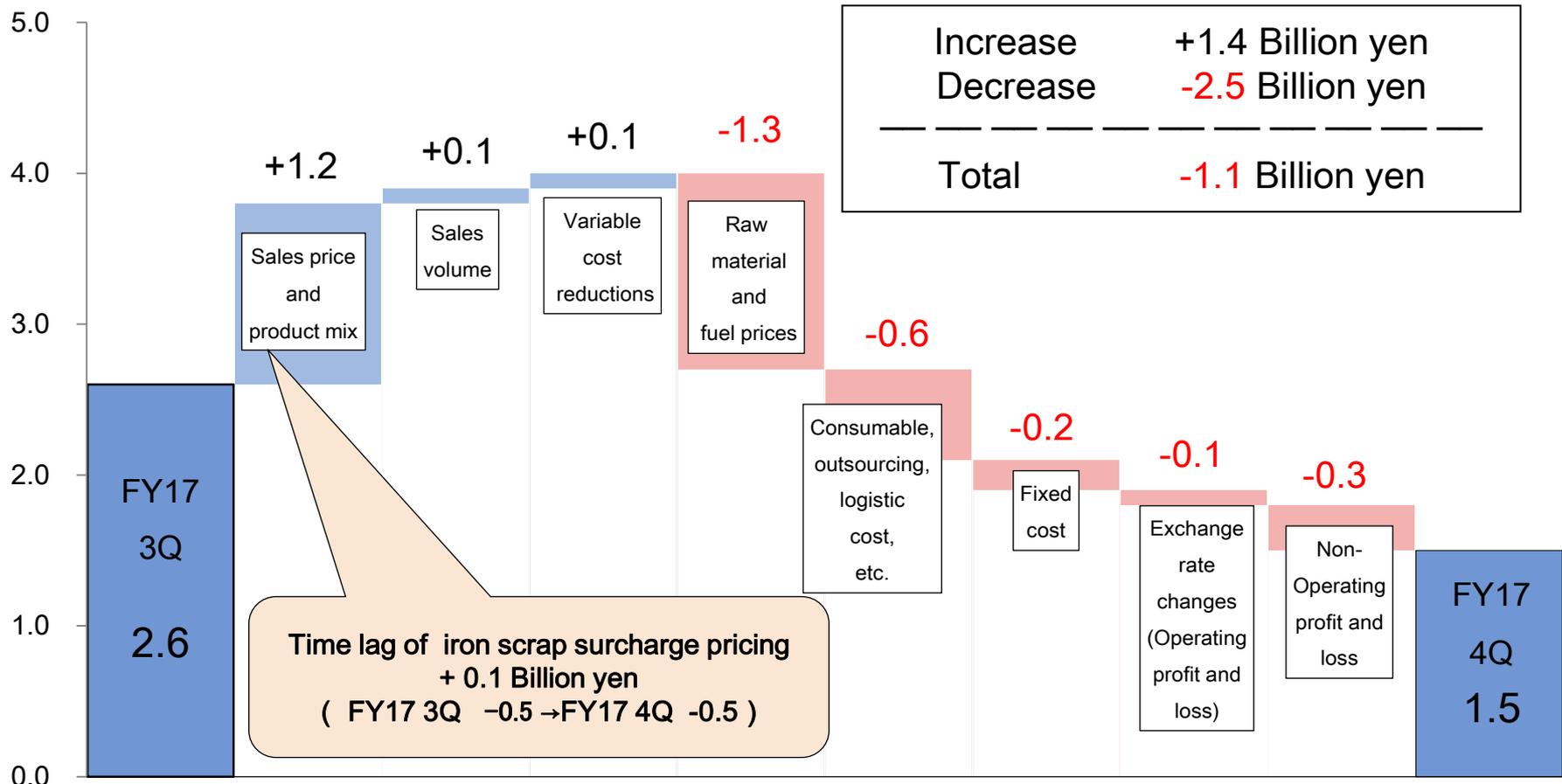
(Billion yen)



Ordinary Income Variance Analysis

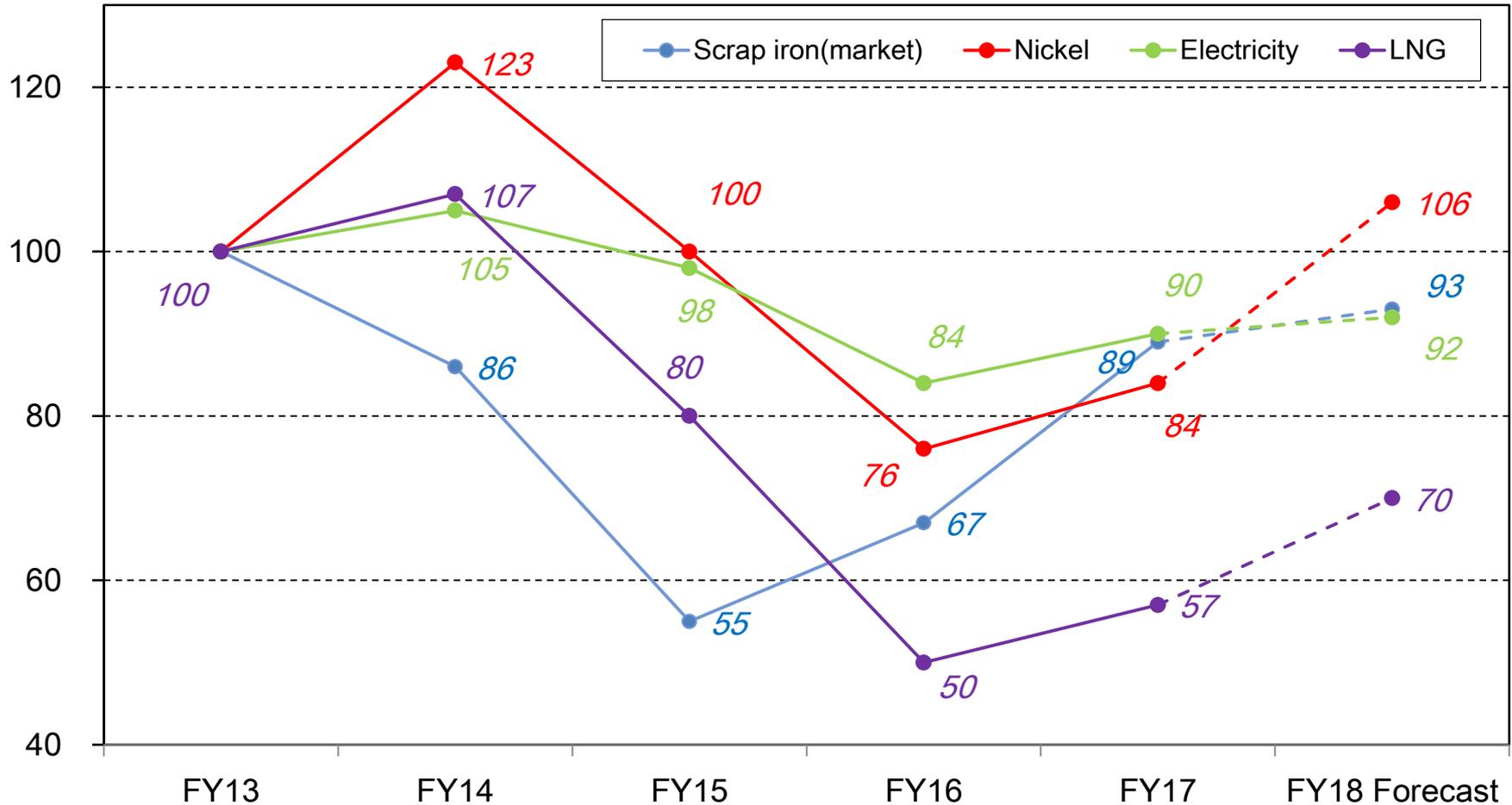
FY17 3Q (2.6) → FY17 4Q (1.5) (-1.1 Billion yen)

(Billion yen)



Raw Materials and Fuel Prices

(FY13=100)



* Based on purchase price

Earnings by Business Segment

(Unit : Billion yen)

	FY17 (A)			FY16 (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products*	142.0	9.7	6.8	125.0	9.9	7.9	+17.0	-0.2	-1.1
Metal Powders*	4.9	0.9	18.8	4.5	0.9	20.9	+0.4	-0.0	-2.1
Formed and Fabricated Materials	18.4	0.8	4.2	15.8	0.7	4.7	+2.6	+0.0	-0.5
Sub-total	165.3	11.4	6.9	145.3	11.5	8.0	+20.1	-0.2	-1.1
Other	1.5	0.0	1.8	1.7	0.1	3.4	-0.1	-0.0	-1.6
Adjustments	-9.4	-0.4	—	-8.3	0.1	—	-1.1	-0.5	—
Consolidated Total	157.5	11.0	7.0	138.7	11.7	8.4	+18.8	-0.7	-1.4

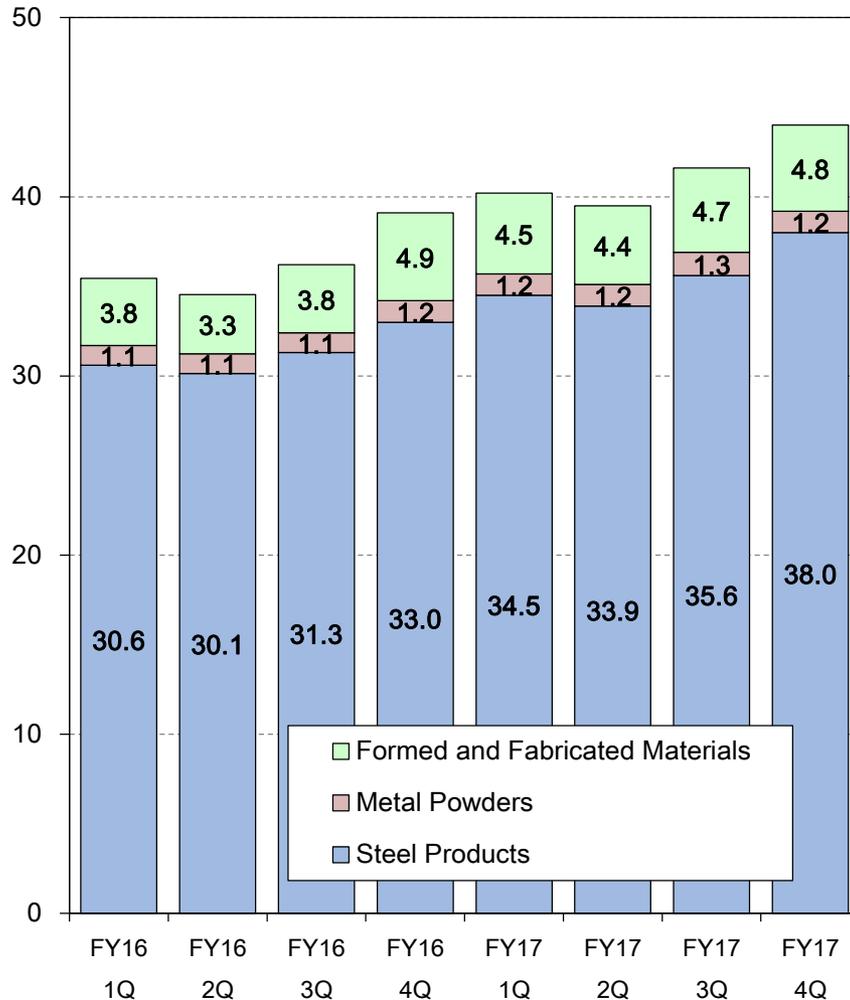
* As a result of the reorganization as of April 1, 2017, the special alloys business, which had been classified under the "Special Materials" business segment, is reclassified under the "Steel Products" business segment and consequently the "Special Materials" business segment is renamed as the "Metal Powders" business segment from FY17.

Segment information for FY16 has been reclassified by revised segments.

Changes in Business Segment(quarterly)

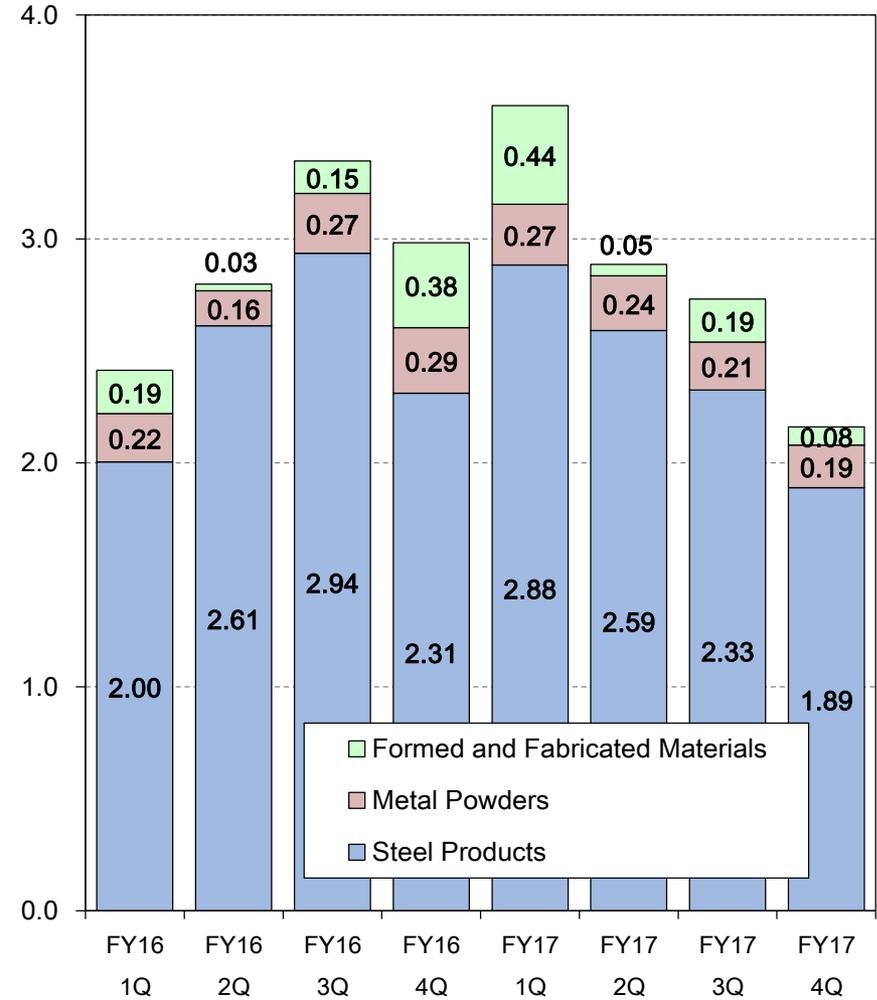
(Billion yen)

Net Sales*



(Billion yen)

Operating Income*



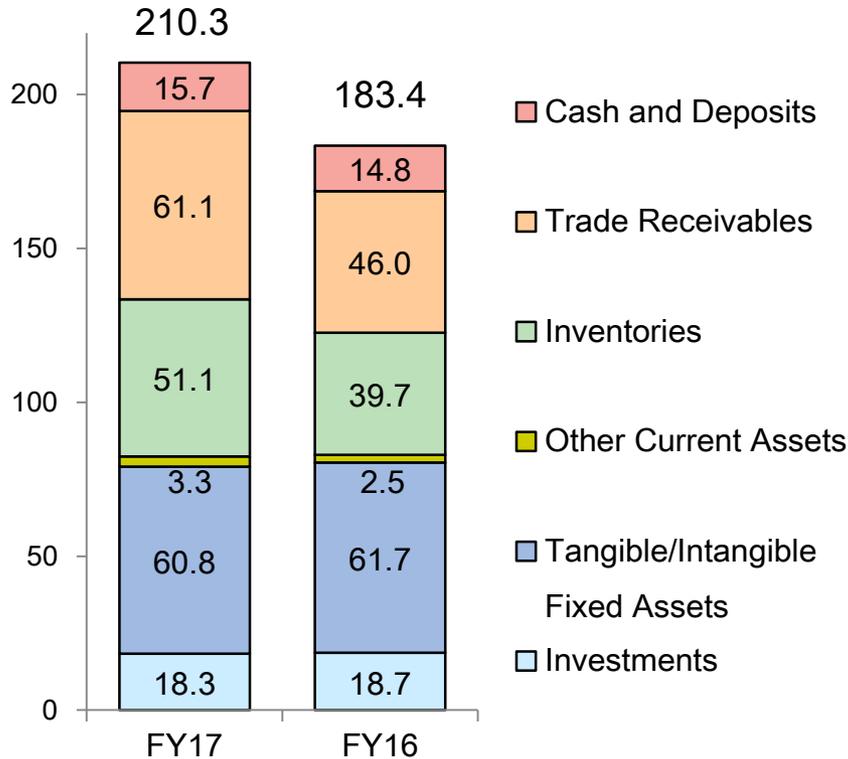
*Including intersegment transactions
Reclassified by revised segments

*Including intersegment transactions
Reclassified by revised segments

Balance Sheets

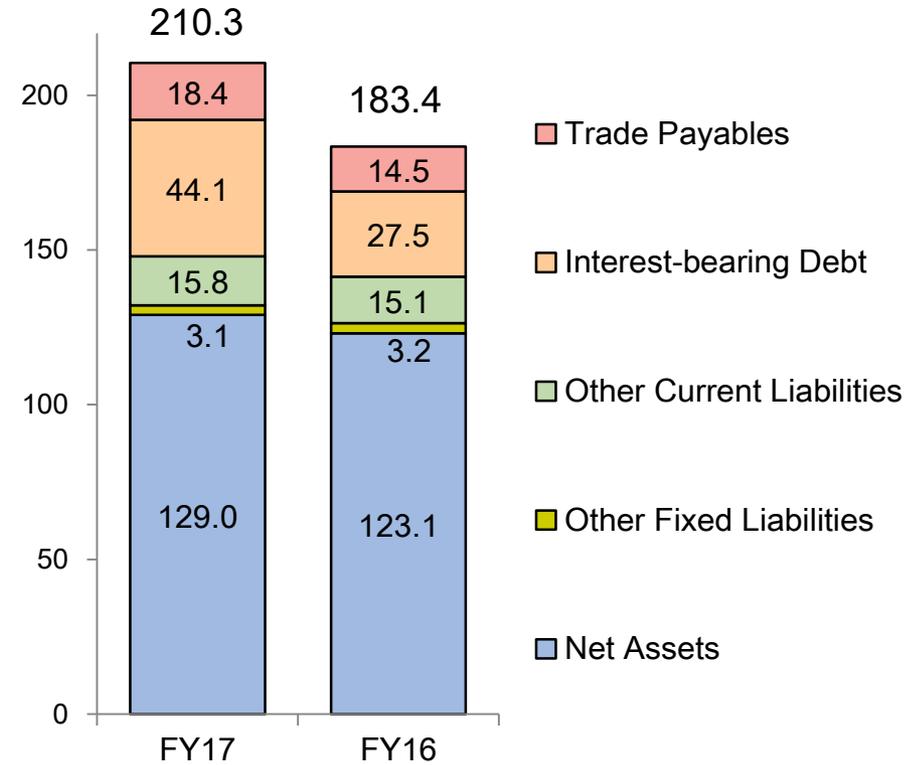
(Billion yen)

Assets



(Billion yen)

Liabilities and Net Assets



Major changes in Assets +26.8 billion yen

Cash and Deposits	+ 0.9
Trade Receivables	+15.0
Inventories	+11.4

Major changes in Liabilities and Net Assets +26.8 billion yen

Trade Payables	+3.9
Interest-bearing Debt	+16.6
Net Assets	+5.8

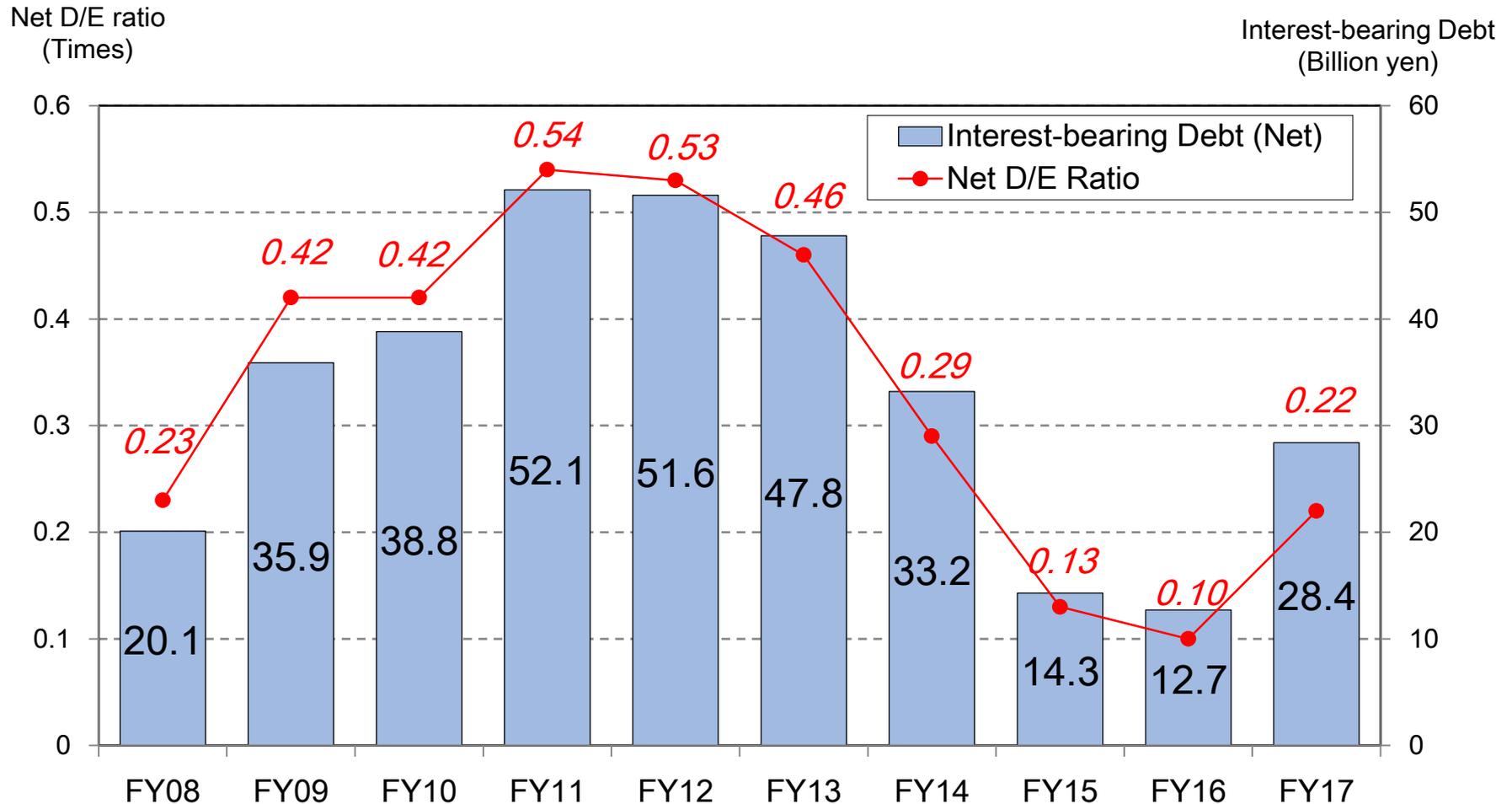
Statements of Cash Flows

(Unit : Billion yen)

	FY13	FY14	FY15	FY16	FY17
Cash flows from operating activities (A)	9.2	20.7	28.8	15.1	* -5.6
Net income before income taxes	6.6	10.2	11.1	11.5	10.3
Depreciation	11.0	9.8	9.3	9.1	9.0
Income taxes	1.3	-2.3	-4.8	-4.0	-3.7
Working capital, etc.	-9.7	3.0	13.1	-1.5	-21.2
Cash flows from investing activities (B)	-5.0	-5.9	-8.5	-11.1	-8.4
Capital expenditure	-4.8	-6.8	-7.1	-10.7	-8.0
Others	-0.1	0.9	-1.4	-0.4	-0.4
Free Cash Flows (A+B)	4.2	14.8	20.3	3.9	-14.0
Cash flows from financing activities (C)	-5.3	-17.4	-18.8	-10.8	14.7
Increase/Decrease in borrowings/bonds/commercial paper	-4.9	-16.6	-16.7	-9.0	16.6
Purchases or Sales of treasury stock	-0.0	-0.0	-0.0	-0.0	-0.0
Cash dividends	-0.5	-0.8	-2.1	-1.8	-2.3
Others	—	—	—	—	0.4
Translation Difference (D)	0.3	0.3	-0.2	-0.3	-0.0
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)	-0.8	-2.3	1.3	-7.1	0.8

* The adjusted figure is -1.4billion yen after the effect of bank holiday at the end of FY17.

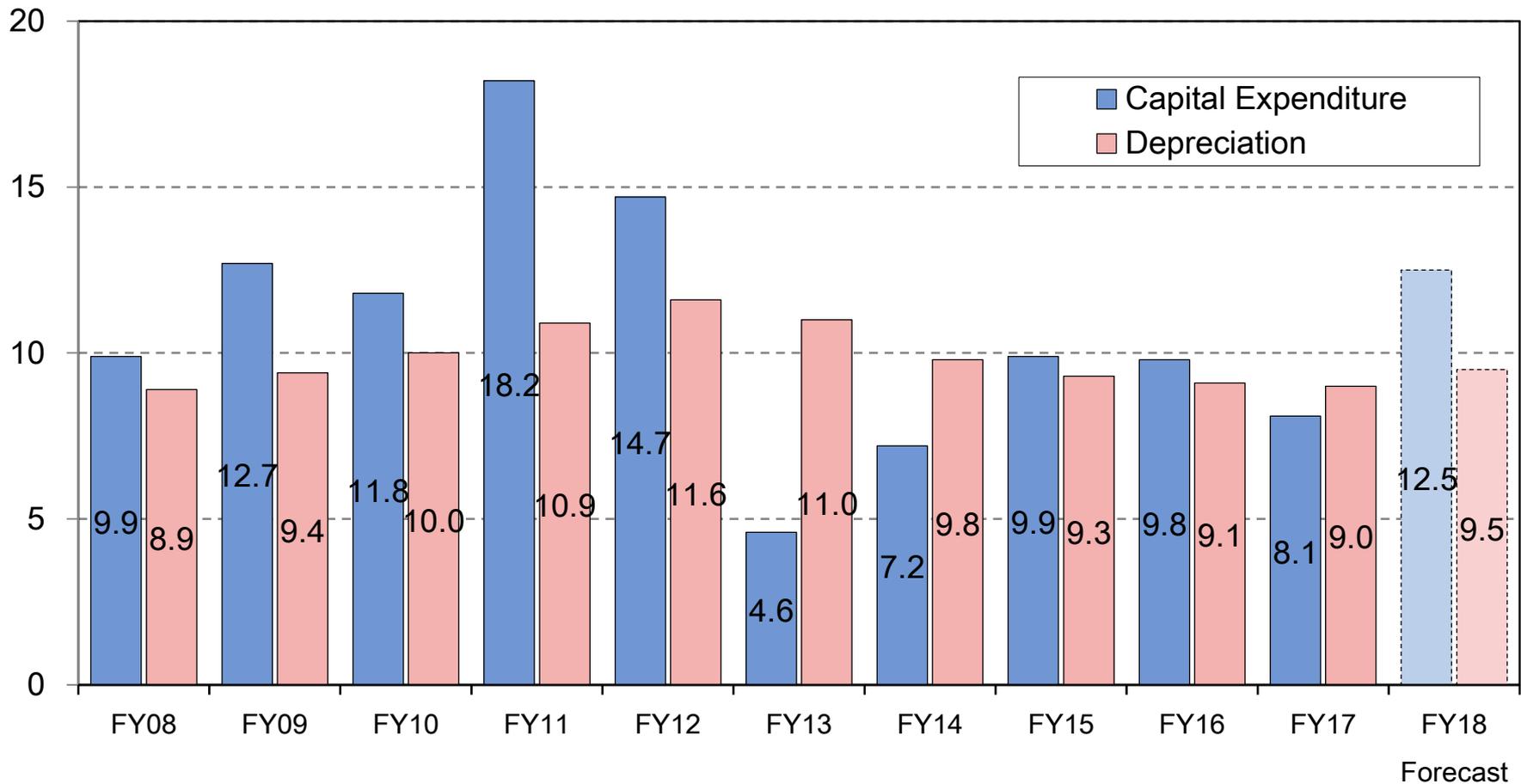
D/E Ratio



• Target of the 10th Mid-term Business Plan : Net D/E ratio ··· 0.20

(Reference) Capital Expenditure and Depreciation

(Billion yen)



Year-end Dividend

	FY17	(Reference) FY16
Net Sales (billion yen)	157.5	138.7
Ordinary Income (billion yen)	10.7	11.7
Net Income (billion yen) *1	7.0	7.8
Earnings per share (yen/share) *2	218.3	241.5
Annual dividend (yen/share) (A) *2	58.5	62.5
<i>Payout ratio (%)</i>	26.8	25.9
Interim dividend (yen/share) (B) *2	33.5	25.0
Year-end dividend (yen/share) (A)-(B)*2,3	25.0	37.5

*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.

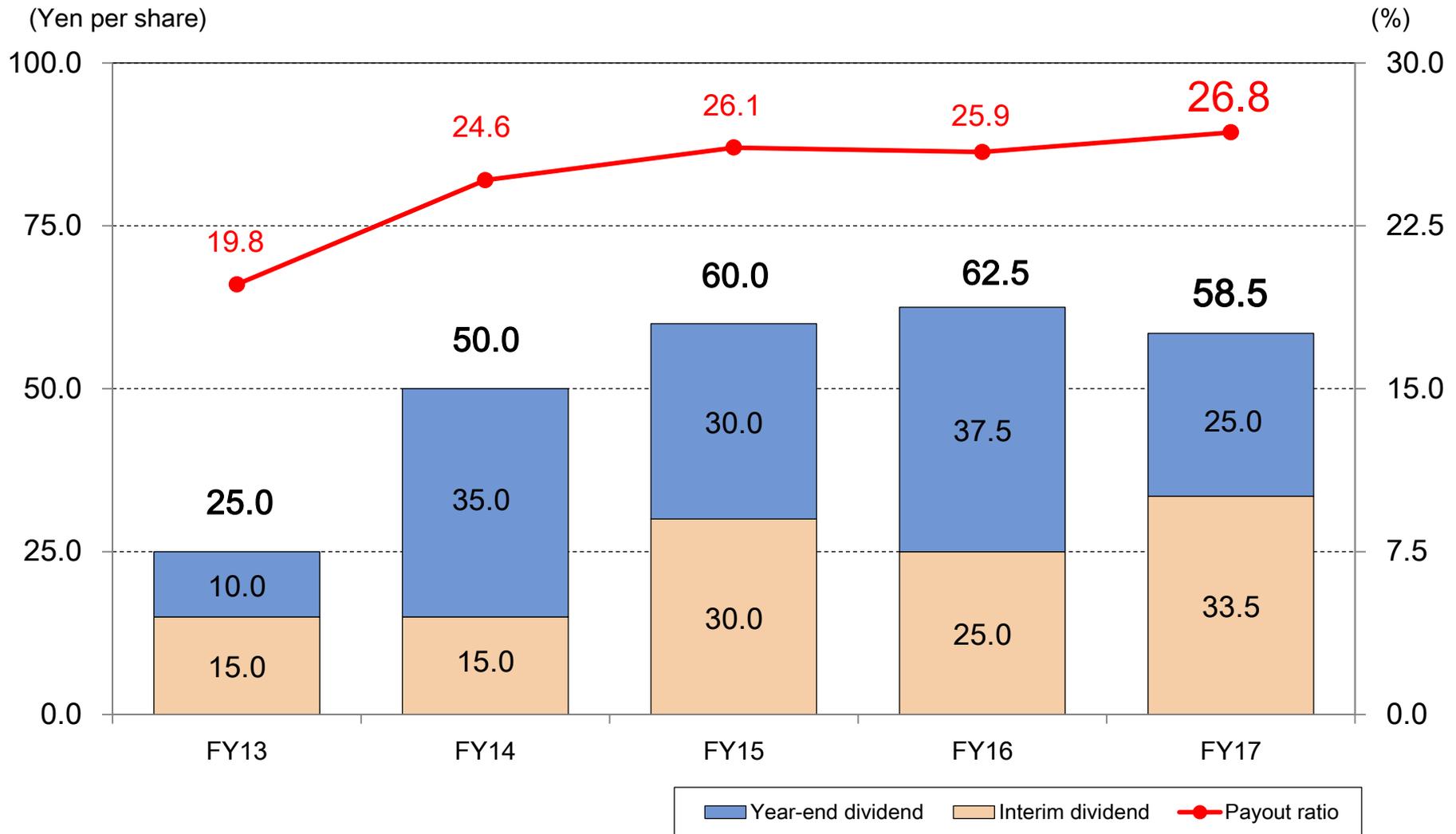
Earnings per share and dividends are adjusted after the one-for-five reverse stock split .

*3 Payment date of year-end dividends : June 6, 2018

< Dividend Policy >

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

Annual Dividend



* 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.

Business Forecast for FY18

(Unit : Billion yen)

	FY18 1 st Half (A)	FY18 2 nd Half (B)	FY18 (C)=(A)+(B)		FY17 (D)		Change (D) → (C)	
	Amount	Amount	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
<i>Sales Volume</i> (Thousands of ton per month) *1	96.5	103.0	99.8		89.1		+10.7	
Net Sales*1	90.0	95.0	185.0	100.0	157.5	100.0	+27.5	+17.5
Operating Income	5.0	5.0	10.0	5.4	11.0	7.0	-1.0	-8.8
Ordinary Income	4.5	4.5	9.0	<i>ROS</i> 4.9	10.7	<i>ROS</i> 6.8	-1.7	-15.6
Net Income	3.1	3.1	6.1	3.3	7.0	4.5	-0.9	-13.3
<i>Dividend</i> (yen per share)	27.0	27.0	54.0		58.5		-4.5	
<i>Payout ratio (%)</i>	—	—	28.5		26.8		+1.7	

*1 Including sales of MSSSPL (*3) which will become our subsidiary

MSSSPL's Sales volume:13,000 t /M, Net Sales : 5 billion yen/Q(from FY18 2Q)

*2 This forecast does not include the impact of the following planned transactions except *1.

- Making MSSSPL a subsidiary of Sanyo(*4)
- Making Sanyo a subsidiary of NSSMC(*5)

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

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

*5 NSSMC : Nippon Steel & Sumitomo Metal Corporation

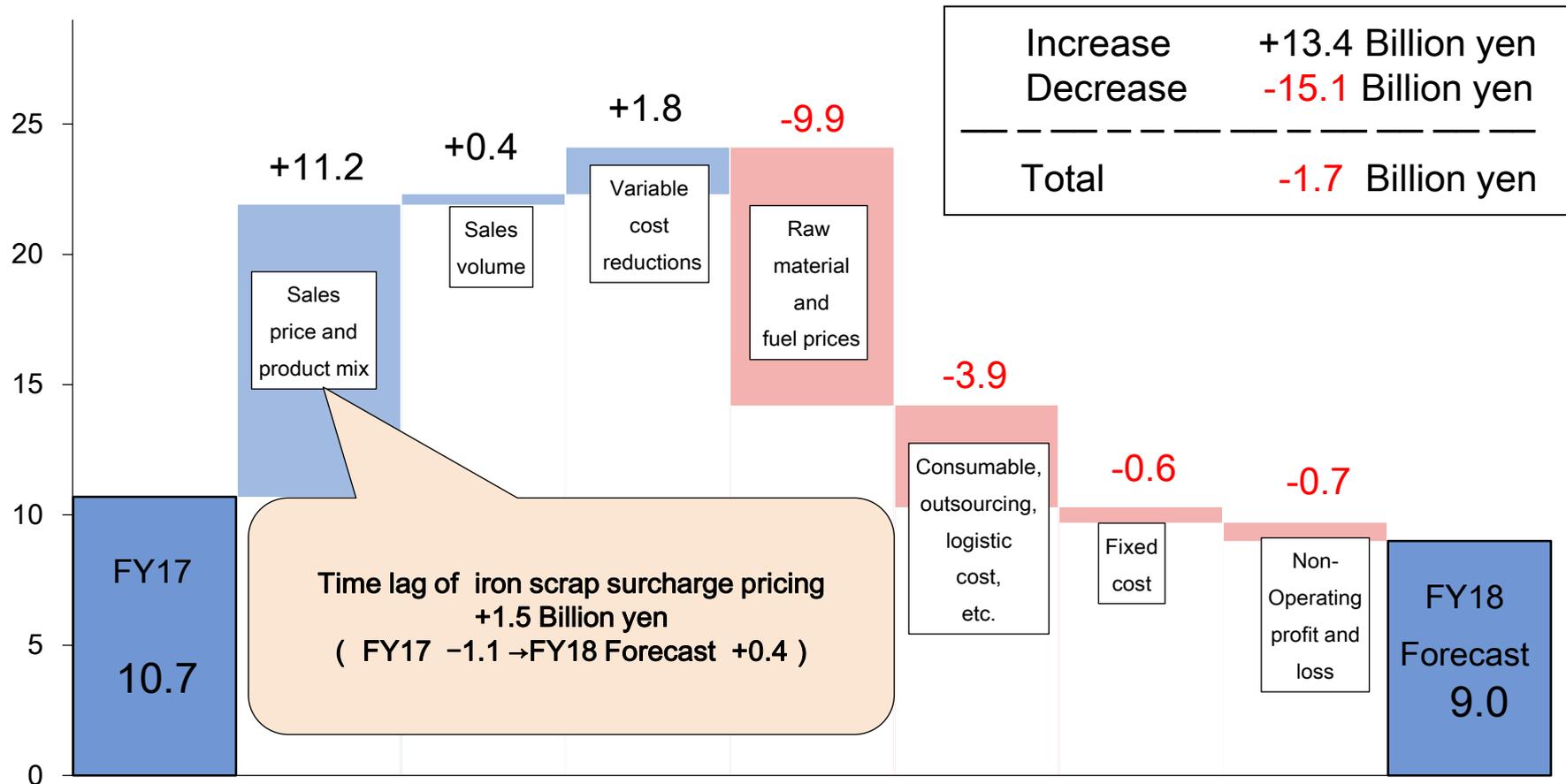
Major assumptions

- Scrap iron 32,000 yen/t
(H2 market price in Himeji area)
- Crude oil(Dubai) 70\$/BL
- Exchange rate 105 yen/US\$

Ordinary Income Variance Analysis

FY17(10.7) → FY18 Forecast (9.0)(-1.7 Billion yen)

(Billion yen)



Changes in Financial Indicators

		FY13	FY14	FY15	FY16	FY17	The 10th Mid-term Business Plan
ROE (Net Income to Net Assets)	%	4.1	6.1	6.6	6.6	5.6	7.0
ROS (Ordinary Income to Net Sales)	%	4.2	5.7	7.7	8.5	6.8	9.0
ROA (Ordinary Income to Total Assets)	%	3.4	4.8	6.0	6.5	5.4	7.0
Equity Ratio	%	50.2	55.8	62.4	66.7	60.7	
Interest-bearing Debt (Net)	Billion yen	47.8	33.2	14.3	12.7	28.4	
Net D/E Ratio *1	Times	0.46	0.29	0.13	0.10	0.22	0.20
Earnings Per Share*2	¥/share	126.0	203.0	230.0	241.5	218.3	
Net Assets Per Share*2	¥/share	3,167	3,498	3,483	3,797	3,961	
Number of Employees at End of Period	Persons	2,775	2,706	2,625	2,598	2,666	

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

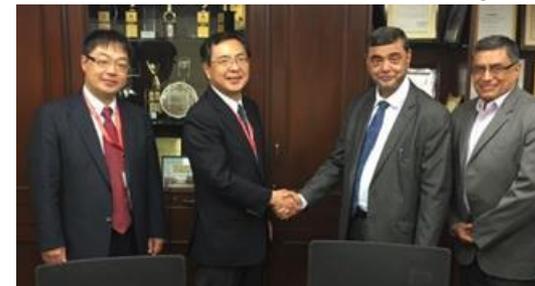
*2 We conducted a one-for-five reverse stock split of our company's shares effective on October 1, 2017.

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

Other topics

(1) Change of the status of MSSSPL(*) from equity method affiliate to consolidated subsidiary

- We invested in MSSSPL in September, 2012, and started joint business.
- We decided that we will further acquire shares of MSSSPL and make it a consolidated subsidiary in order to strengthen our capabilities to respond to market growth and customers' requests in India.
- MSSSPL will be 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 manufacture in quality, productivity, cost and competitiveness as our factory.
- We will further acquire shares of MSSSPL by June,2018.



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)
Sales volume	: About 128,000 tons (note1)
Employees	: About 1,000
Business	: Manufacture and Sale of Special Steel Products
Product	: Special Steel Bars, Steel Ingot, Formed & Fabricated Materials

Location



(note)

1 The figures are as of the end of March, 2017.

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

Other Topics

(2) Commencement of Discussions Regarding Making Sanyo^(*1) a Subsidiary of NSSMC^(*2) and Other Matters

- NSSMC and Sanyo have commenced discussions to explore opportunities to make Sanyo a subsidiary of NSSMC.
- The Goal of the Commenced Discussions
To progress following 1) and 2) in order to respond to the globalization of both their domestic and foreign clients and meet the various needs of their clients, beginning with the automobile industry, regarding the manufacture and sale of special steel.
 - 1) Strengthening their fundamental businesses and technological capabilities, each bringing their management resources
 - 2) A global business development with opportunities of enhanced cooperation among NSSMC, Sanyo, and Ovako^(*4).
- Prospect
 - 1) August 2018(Target) : Execution of the definitive agreement
 - 2) March 2019(Target) : Sanyo becoming NSSMC's subsidiary
- Matters such as the specific method of the Proposed Transaction^(*3), the shareholding ratio of NSSMC in Sanyo and other matters are yet to be discussed, and such matters will be publicly disclosed if and when an agreement is reached.
- Sanyo will continue to be a listed company after becoming NSSMC's subsidiary.

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

*2 NSSMC : Nippon Steel & Sumitomo Metal Corporation

*3 To explore opportunities to make Sanyo a subsidiary of NSSMC



【Ovako's outline】^(*4)

Name	: Ovako AB
Location	: Sweden(headquarter)
Establishment	: Entered the steel manufacturing business in the 17th Century
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
Product	: Special Steel Bars, Tubes and others

(note)

1 The figures are as of the end of December, 2017.

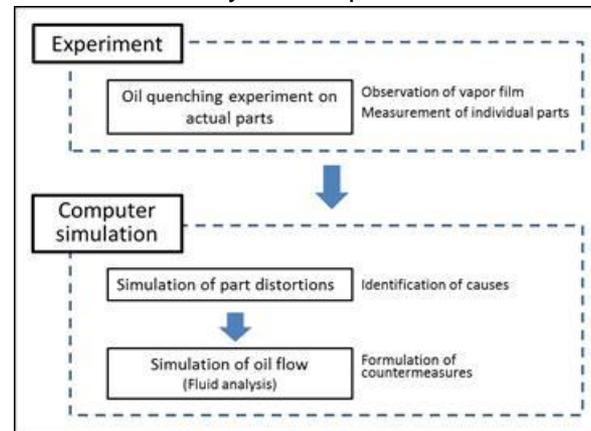
2 JPY figures are for reference, calculated at the rate of EUR1.0 = JPY130.

Other topics

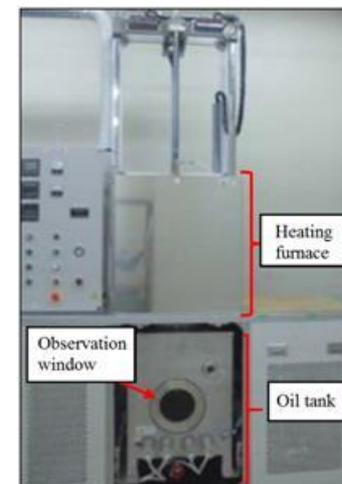
(3) Development of Heat Treatment Distortion Simulation System

- We have developed a heat treatment distortion simulation system that combines a heat treatment experiment with computer simulations.
- Against the background of recent progress in the development of electric vehicles (EV) in the automotive industry, there is a growing need for improvement in dimensional accuracy in power transmission components such as gears and shafts to improve noise reduction.
- Power transmission components require strength and dimensional accuracy, and undergo strict heat treatment through oil quenching.
- A problem that occurs in the quenching process of high-strength parts is the uneven distortion of heat-treated parts due to unequal temperature distribution within them.
- Using this simulation system, which consists of experiments and computer simulations, we aim to identify the causes of heat treatment distortion of parts and develop countermeasures. (see Fig. 1)
- The application of this system is expected to improve dimensional accuracy of parts through the control of heat treatment condition.

Figure 1.
Overview of the heat treatment distortion simulation system Experiment



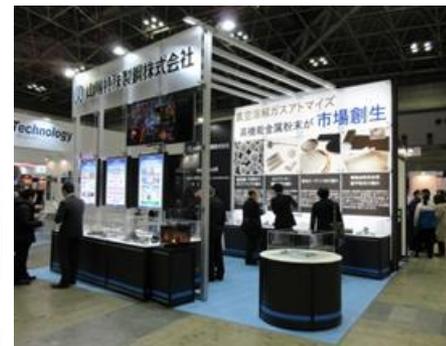
External appearance of the oil quenching experimental device Experiment



Other Topics

(4)Exhibition at 3D Printing 2018

- It was held at Tokyo Big Sight from February 14 to 16, 2018.
- We exhibited metal powders for 3D printing and examples of moldings by 3D printing.
- About 900 visitors came to our booth.



(5)Factory tour for individual stockholders

- It was held in March 2018.
- We have annually held it since 2007, so that individual stockholders would gain a better understanding of our company.
- About 40 stockholders visited No.2 Steelmaking Plant, No.2 Bar & Wire Rod Mill, and 5,000t Forging Press.





SANYO SPECIAL STEEL



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

(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)