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# Overview of Business Results

for the Fiscal Year Ended March 31, 2017  
(April 2016 → March 2017)



**SANYO SPECIAL STEEL**



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

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# Outline of Statements of Income

(Unit : Billion yen, %)

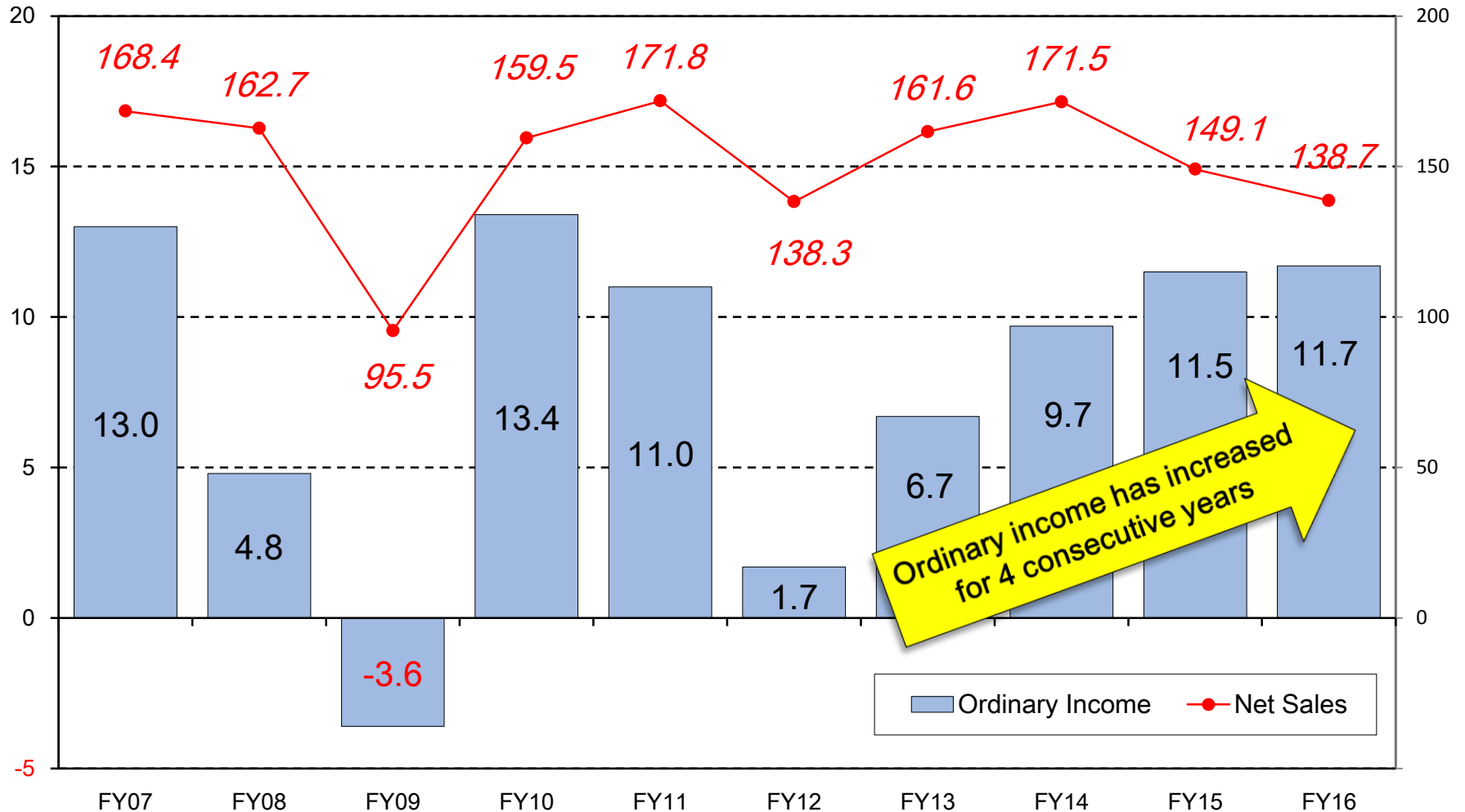
	FY16 (A)		FY15 (B)		Change (B) → (A)		FY16 Forecast (Announced on Oct. 27 2016)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Sales	138.7	100.0	149.1	100.0	-10.5	-7.0	140.0	100.0
Operating Income	11.7	8.4	12.2	8.2	-0.5	-4.1	12.0	8.6
Ordinary Income	11.7	<i>ROS</i> 8.5	11.5	<i>ROS</i> 7.7	0.2	1.7	11.5	<i>ROS</i> 8.2
Net Income*	7.8	5.6	7.4	5.0	0.4	5.0	7.6	5.4
ROE(%)	6.6		6.6		+0.0			

\* Profit attributable to owners of parent.

# Net Sales and Ordinary Income(fiscal)

Ordinary Income  
(Billion yen)

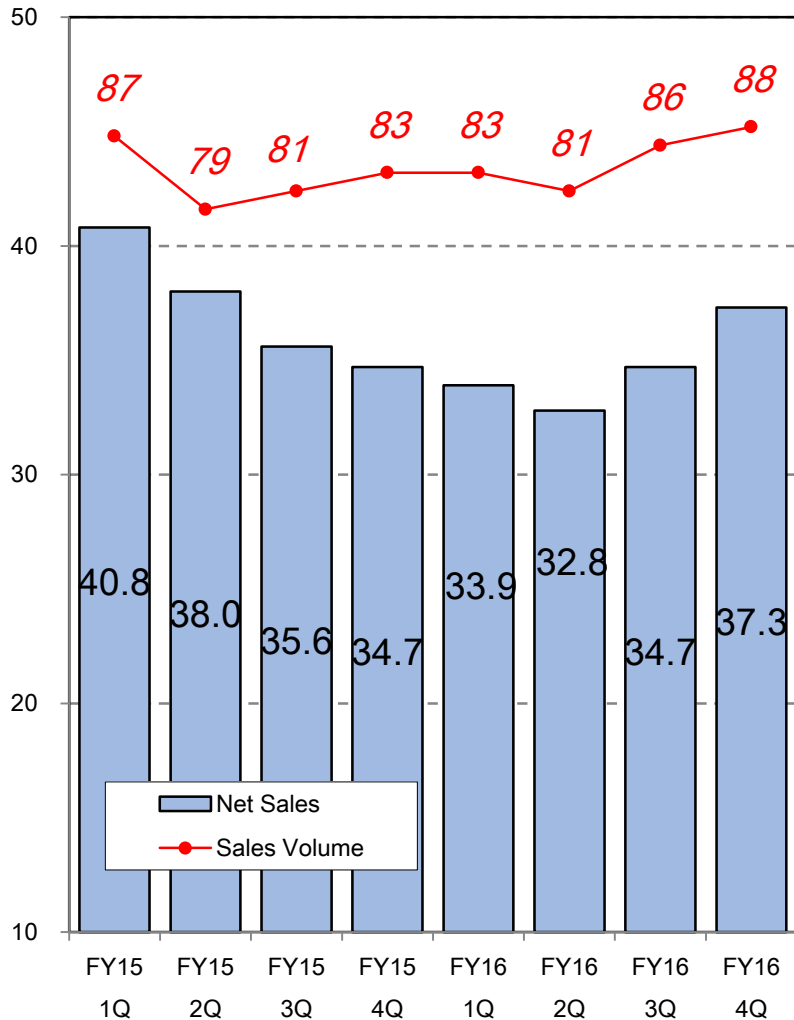
Net Sales  
(Billion yen)



# Net Sales and Ordinary Income (quarterly)

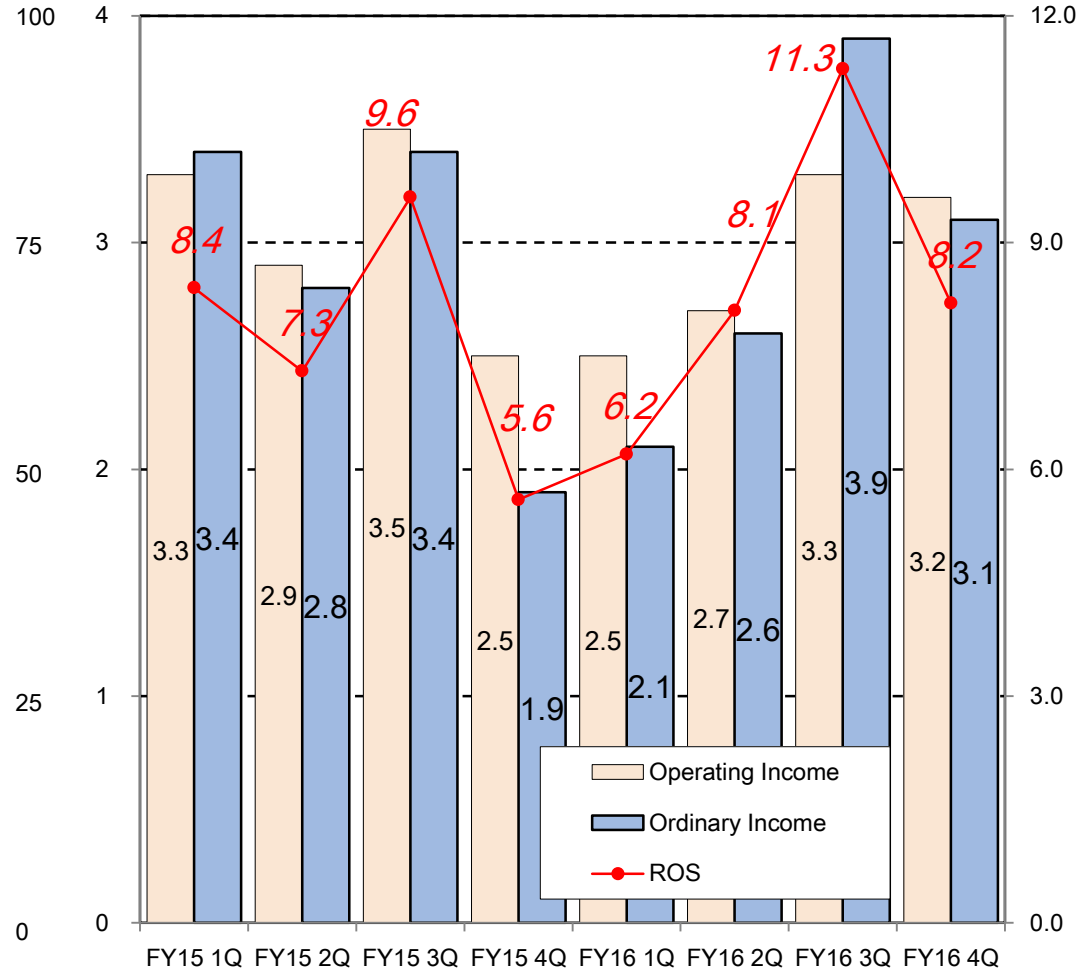
Net Sales  
(Billion yen)

Sales Volume  
(Thousands of ton per month)



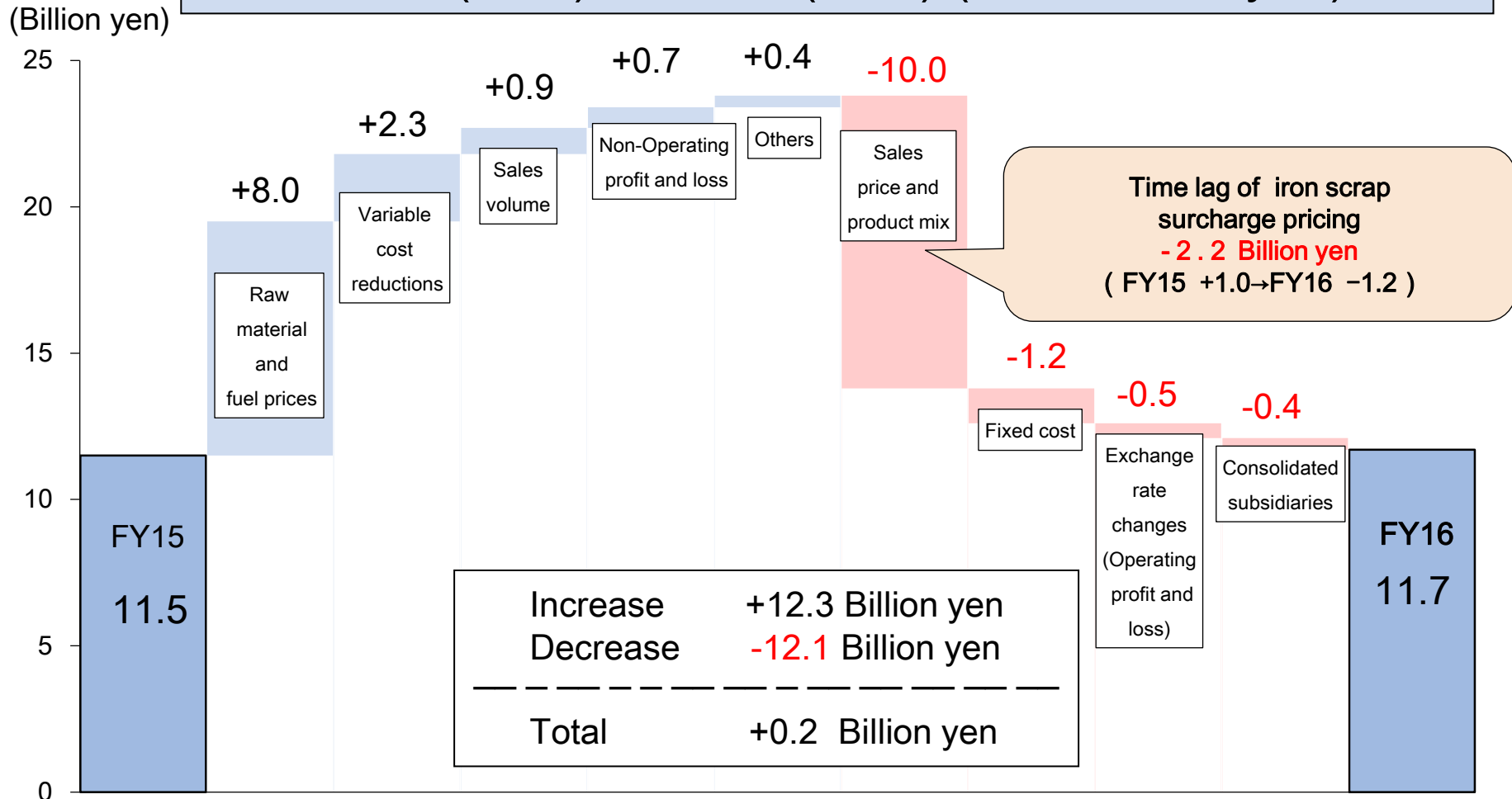
Operating Income  
Ordinary Income  
(Billion yen)

ROS  
(%)



# Ordinary Income Variance Analysis (FY15 → FY16)

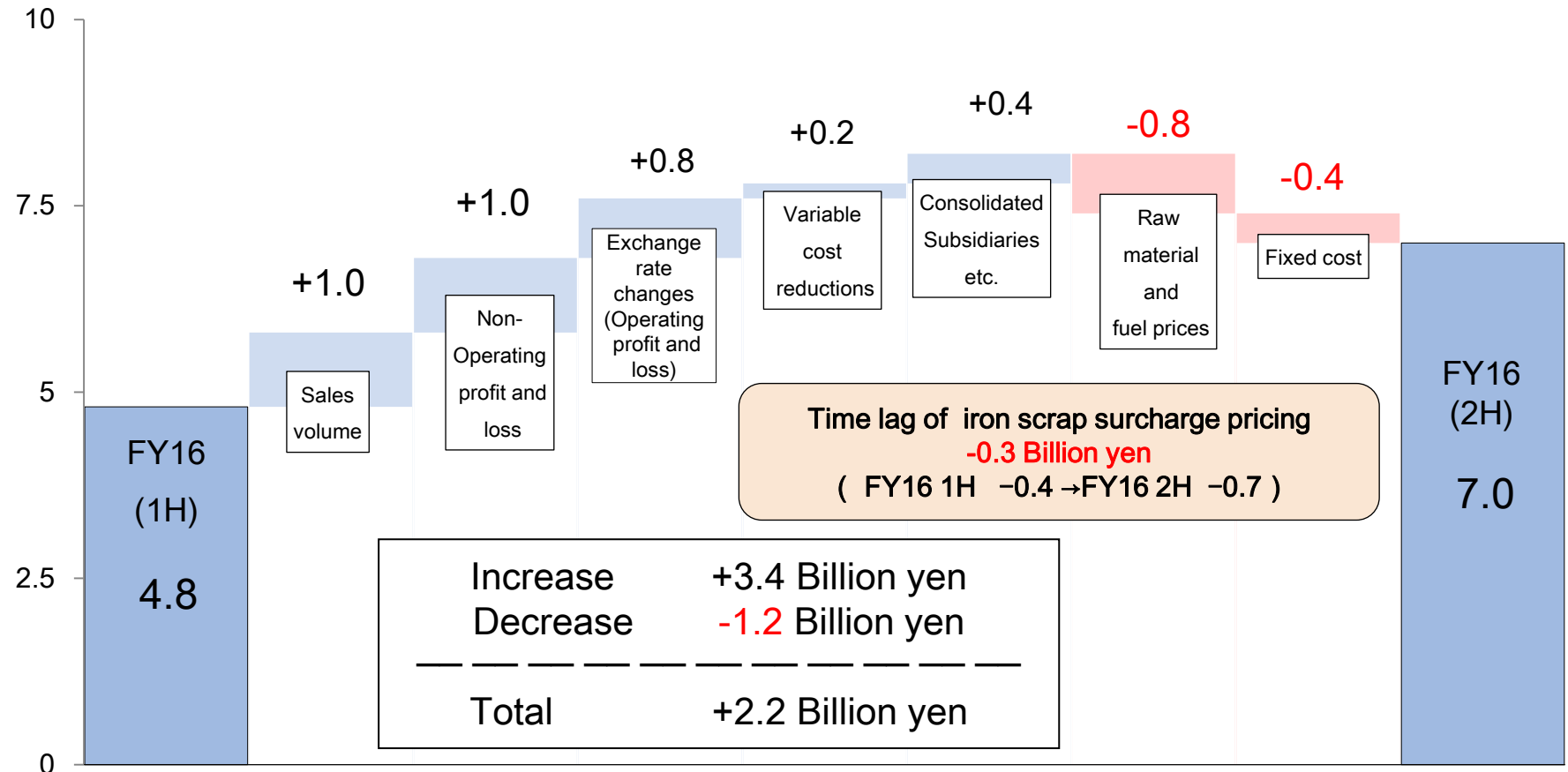
FY15(11.5) → FY16 (11.7) (+0.2 Billion yen)



# Ordinary Income Variance Analysis (FY16(1H) → FY16(2H))

FY16 1<sup>st</sup> Half(4.8) → FY16 2<sup>nd</sup> Half(7.0) (+2.2 Billion yen)

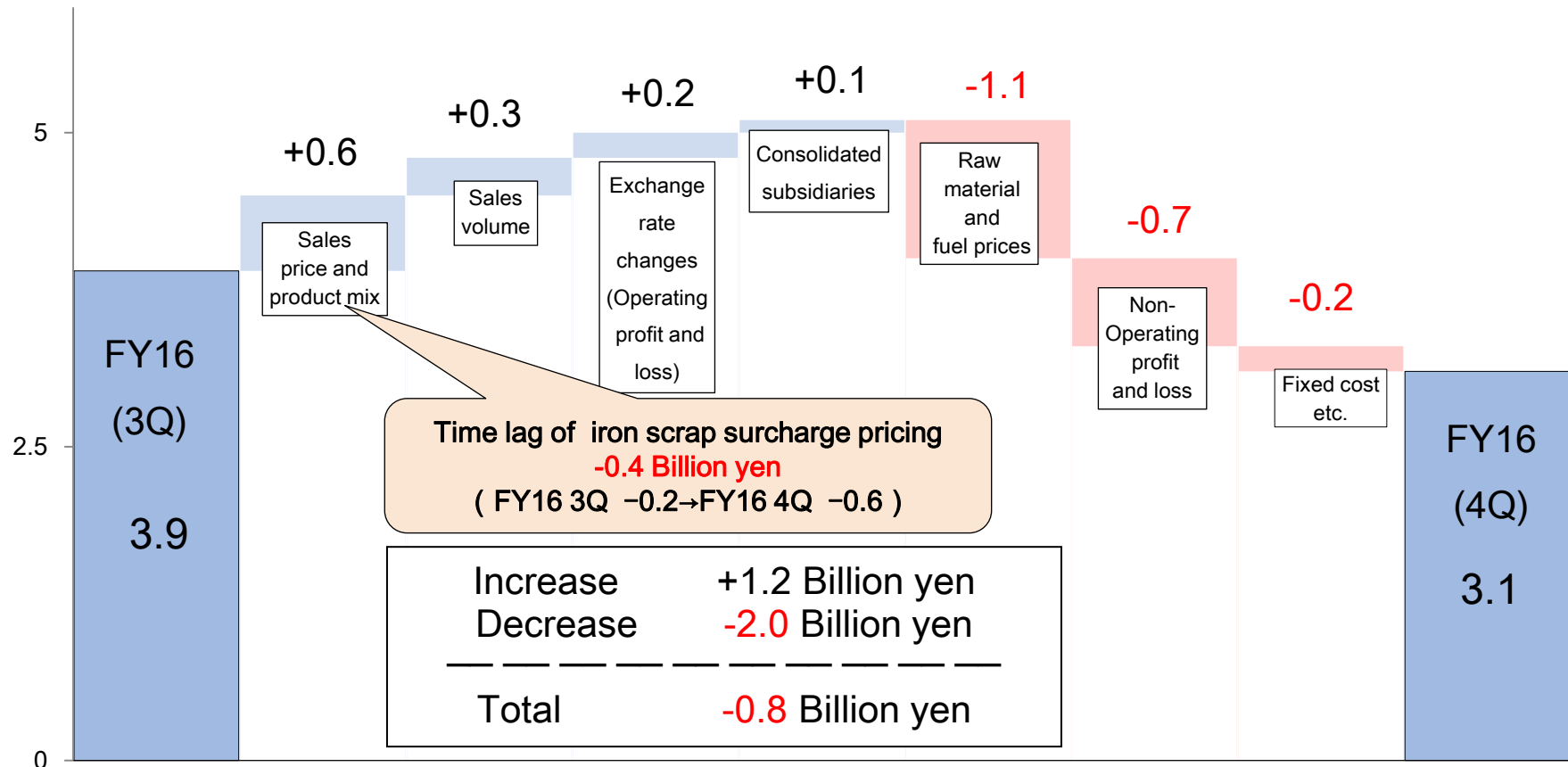
(Billion yen)



# Ordinary Income Variance Analysis (FY16(3Q) → FY16(4Q))

FY16 3Q(3.9) → FY16 4Q(3.1) (-0.8Billion yen)

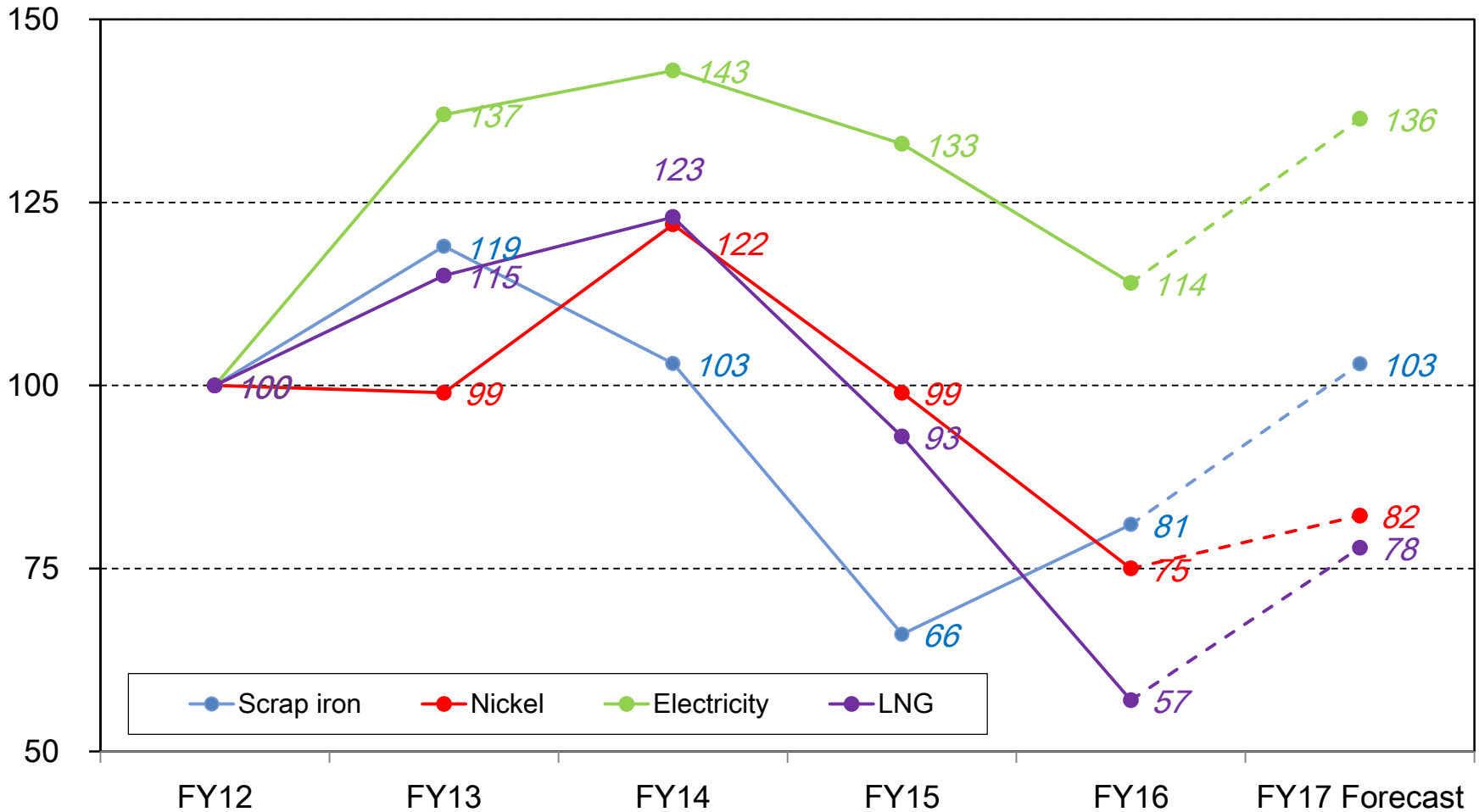
(Billion yen)





# Raw Materials and Fuel Prices

(FY12=100)



\* Based on purchase price

# Earnings by Business Segment

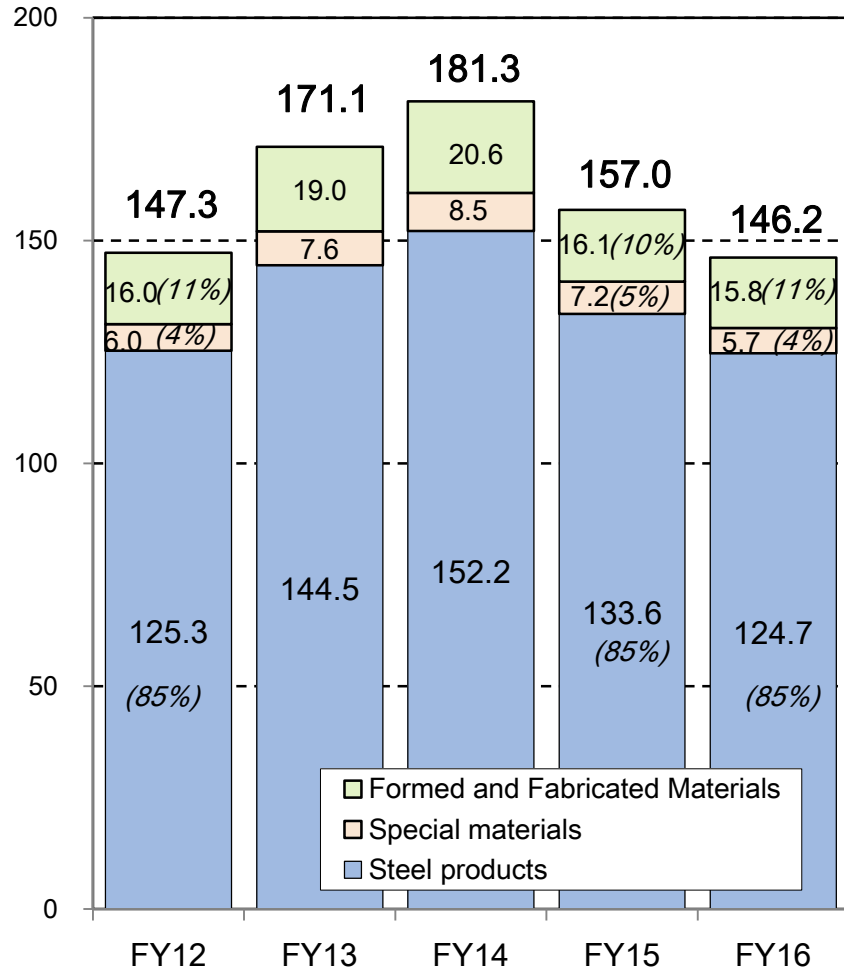
(Unit : Billion yen,%)

	FY16 (A)			FY15 (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS	Net Sales	Operating Income	ROS	Net Sales	Operating Income	ROS
Steel Products	124.7	9.9	8.0	133.6	8.8	6.6	-9.0	1.2	+1.4
Special materials	5.7	0.9	15.0	7.2	1.4	19.2	-1.5	-0.5	-4.2
Formed and Fabricated Materials	15.8	0.7	4.7	16.1	1.3	8.0	-0.4	-0.5	-3.3
Sub-total	146.2	11.5	7.9	157.0	11.5	7.3	-10.8	0.1	+0.6
Other	1.7	0.1	3.4	1.7	0.1	3.5	-0	-0	-0.1
Adjustments	-9.2	0.1	-	-9.5	0.7	-	0.3	-0.6	-
Consolidated Total	138.7	11.7	8.4	149.1	12.2	8.2	-10.5	-0.5	+0.2

# Changes in Business Segment(fiscal)

(Billion yen)

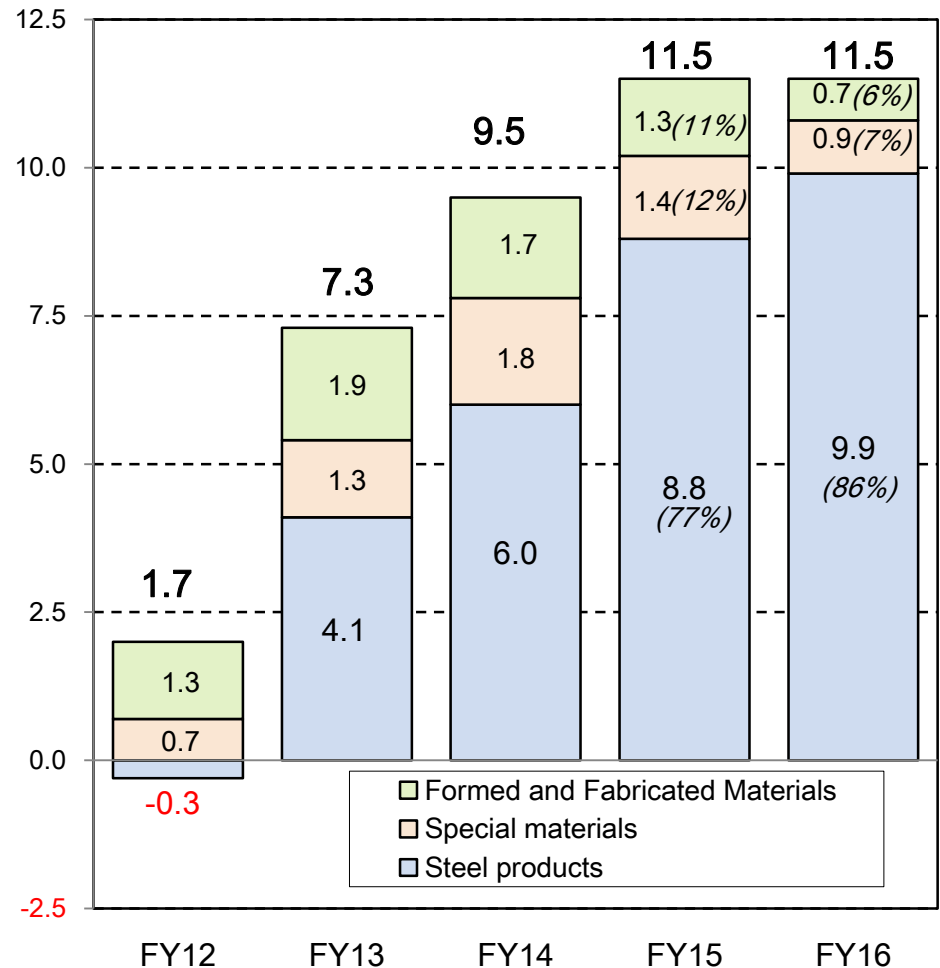
## Net Sales\*



\*Including Intersegment transactions

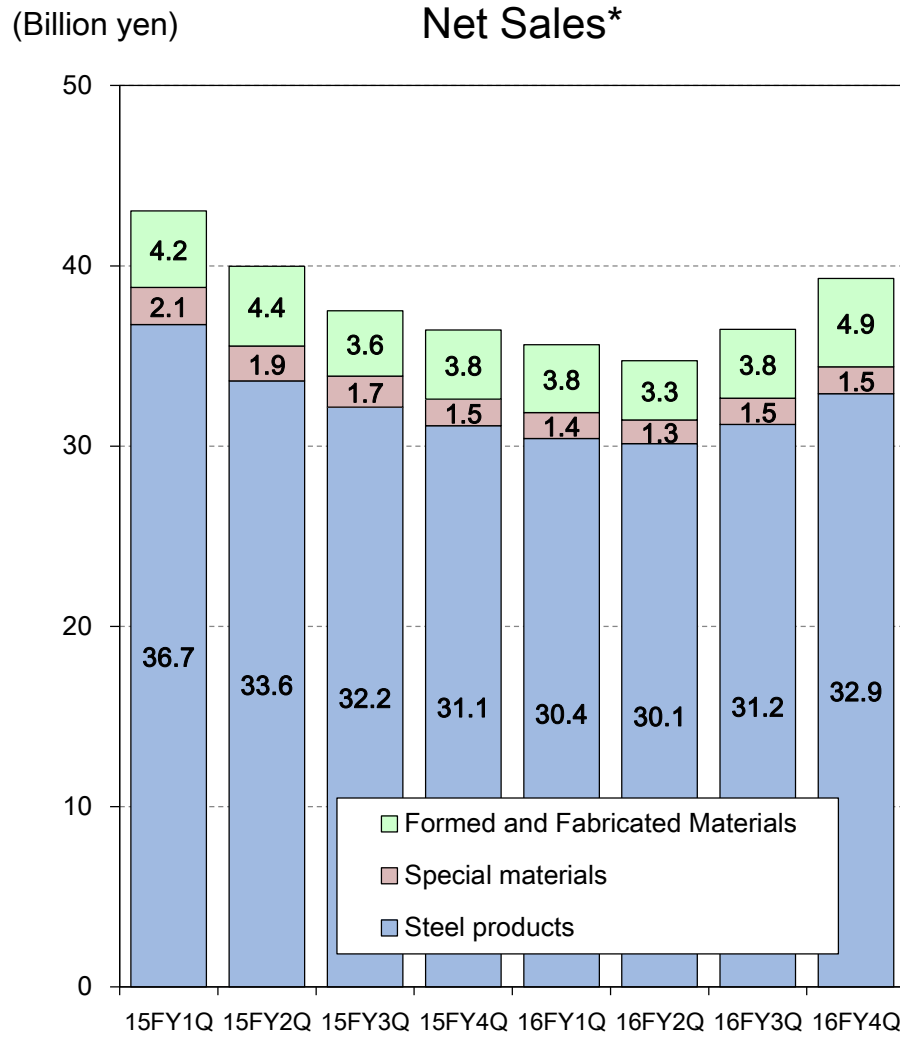
(Billion yen)

## Operating Income\*

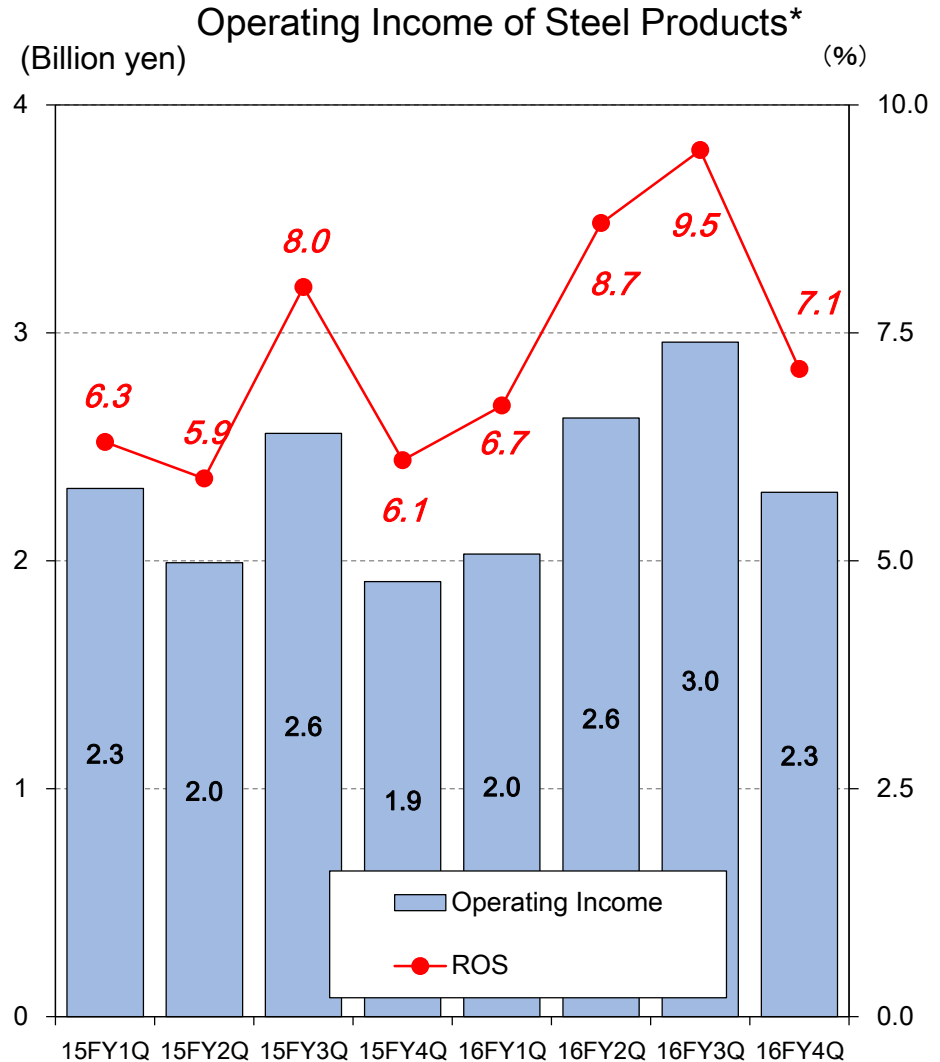


\*Including Intersegment transactions

# Changes in Business Segment(quarterly)



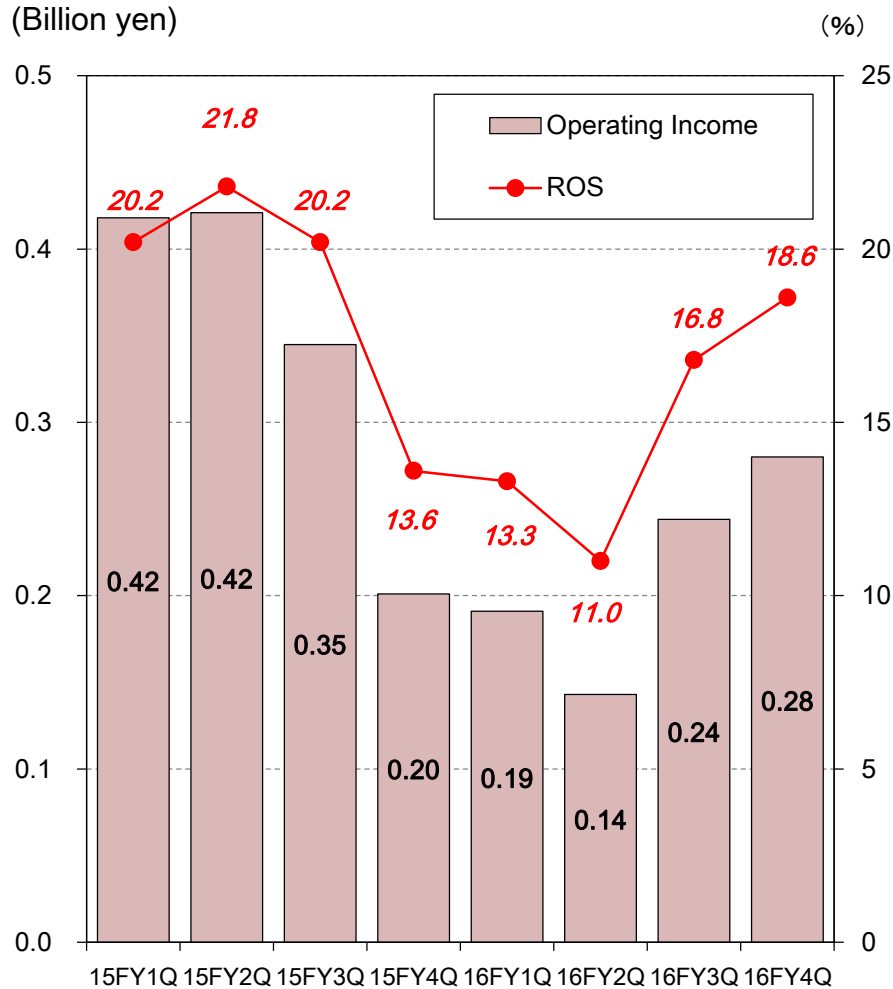
\*Including Intersegment transactions



\*Including Intersegment transactions

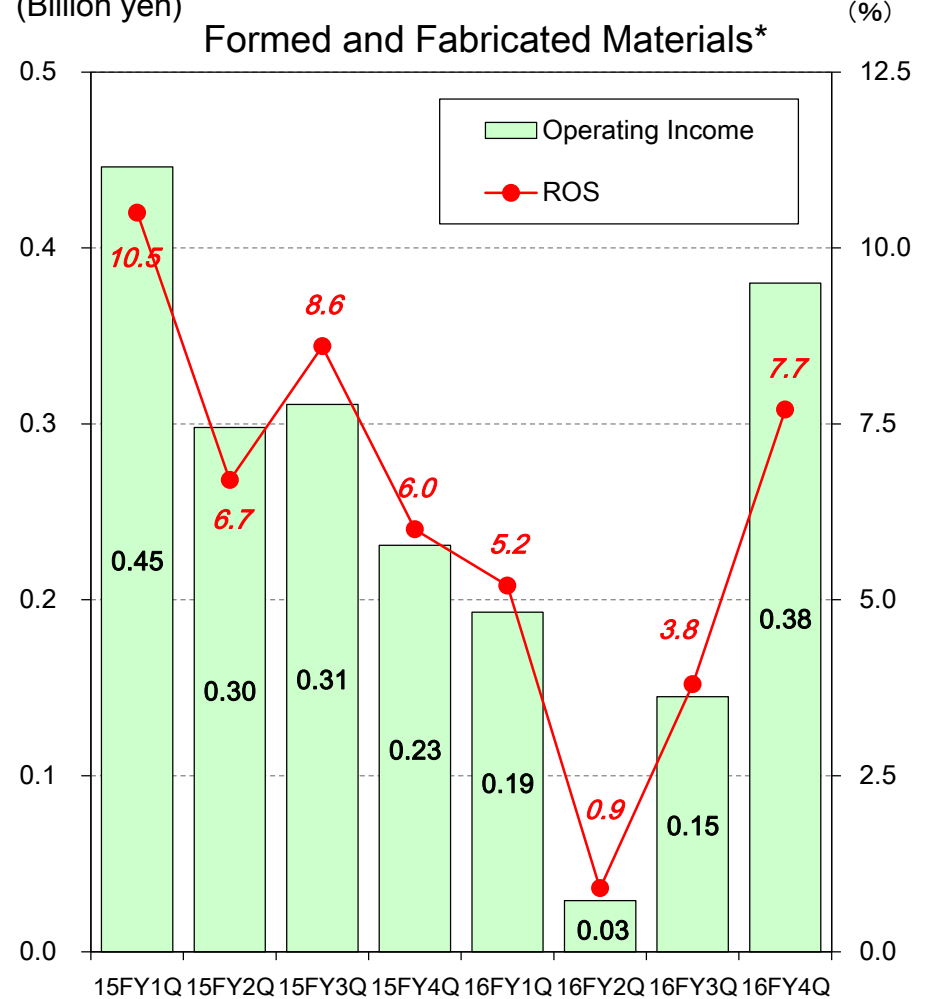
# Changes in Business Segment(quarterly)

Operating Income of Special materials\*



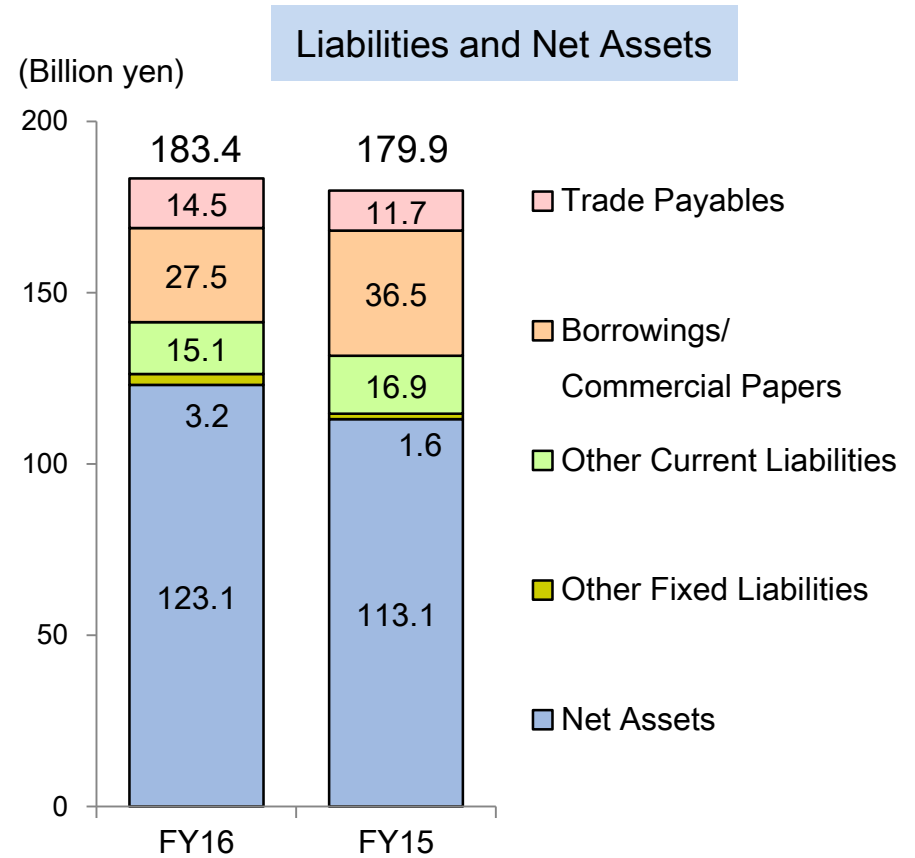
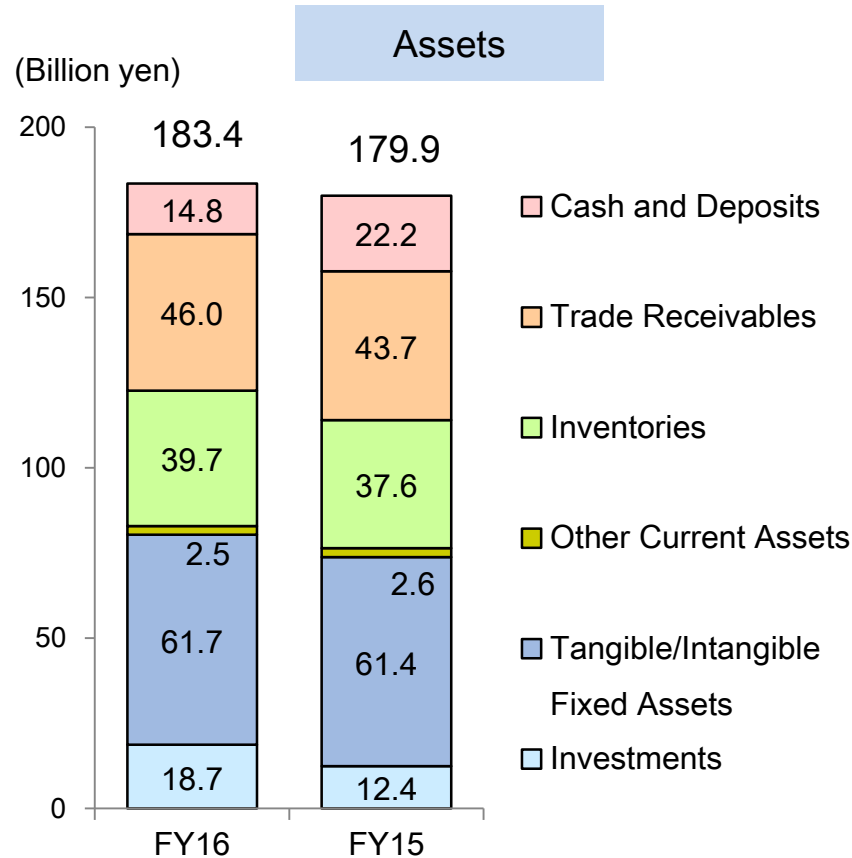
\*Including Intersegment transactions

Operating Income of Formed and Fabricated Materials\*



\*Including Intersegment transactions

# Balance Sheets



Major changes in Assets		+3.5 billion yen
Cash and Deposits	-7.3	
Trade Receivables	+2.3	
Inventories	+2.1	
Investments	+6.3	

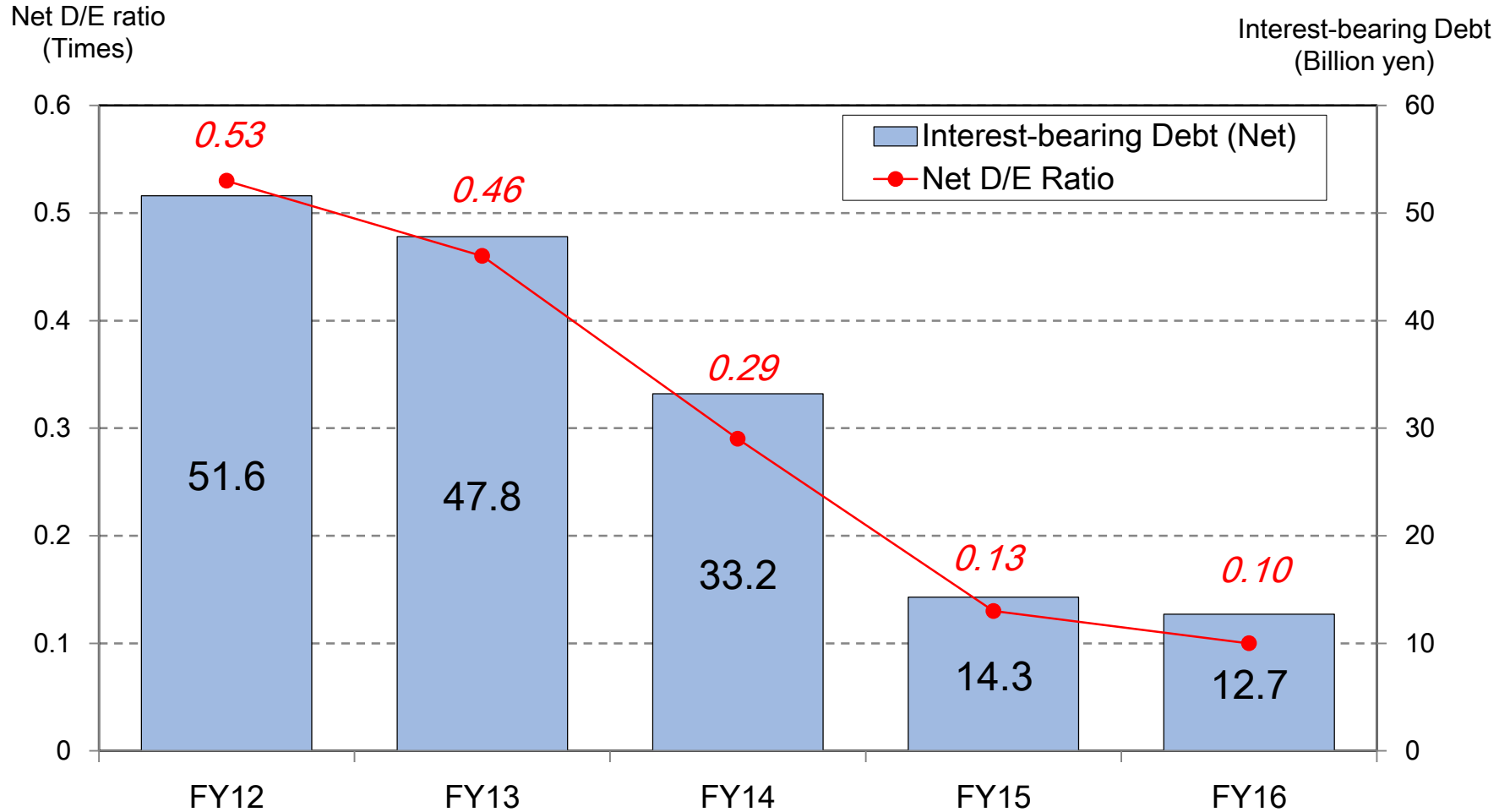
Major changes in Liabilities and Net Assets		+3.5 billion yen
Trade Payables	+2.8	
Borrowings/Commercial Papers	-9.0	
Net Assets	+10.0	

# Statements of Cash Flows

(Unit : Billion yen)

	FY14	FY15	FY16
Cash flows from operating activities (A)	20.7	28.8	15.1
Net income before income taxes	10.2	11.1	11.5
Depreciation	9.8	9.3	9.1
Income taxes	-2.3	-4.8	-4.0
Working capital, etc.	3.0	13.1	-1.5
Cash flows from investing activities (B)	-5.9	-8.5	-11.1
Capital expenditure	-7.1	-7.1	-10.7
Others	1.2	-1.4	-0.4
<b>Free Cash Flows (A+B)</b>	<b>14.8</b>	<b>20.3</b>	<b>3.9</b>
Cash flows from financing activities (C)	-17.4	-18.8	-10.8
Increase in borrowings/commercial papers	-16.6	-16.7	-9.0
Purchases or Sales of treasury stock	-0.0	-0.0	-0.0
Cash dividends	-0.8	-2.1	-1.8
Translation Difference (D)	0.3	-0.2	-0.3
<b>Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)</b>	<b>-2.3</b>	<b>1.3</b>	<b>-7.1</b>

# D/E Ratio

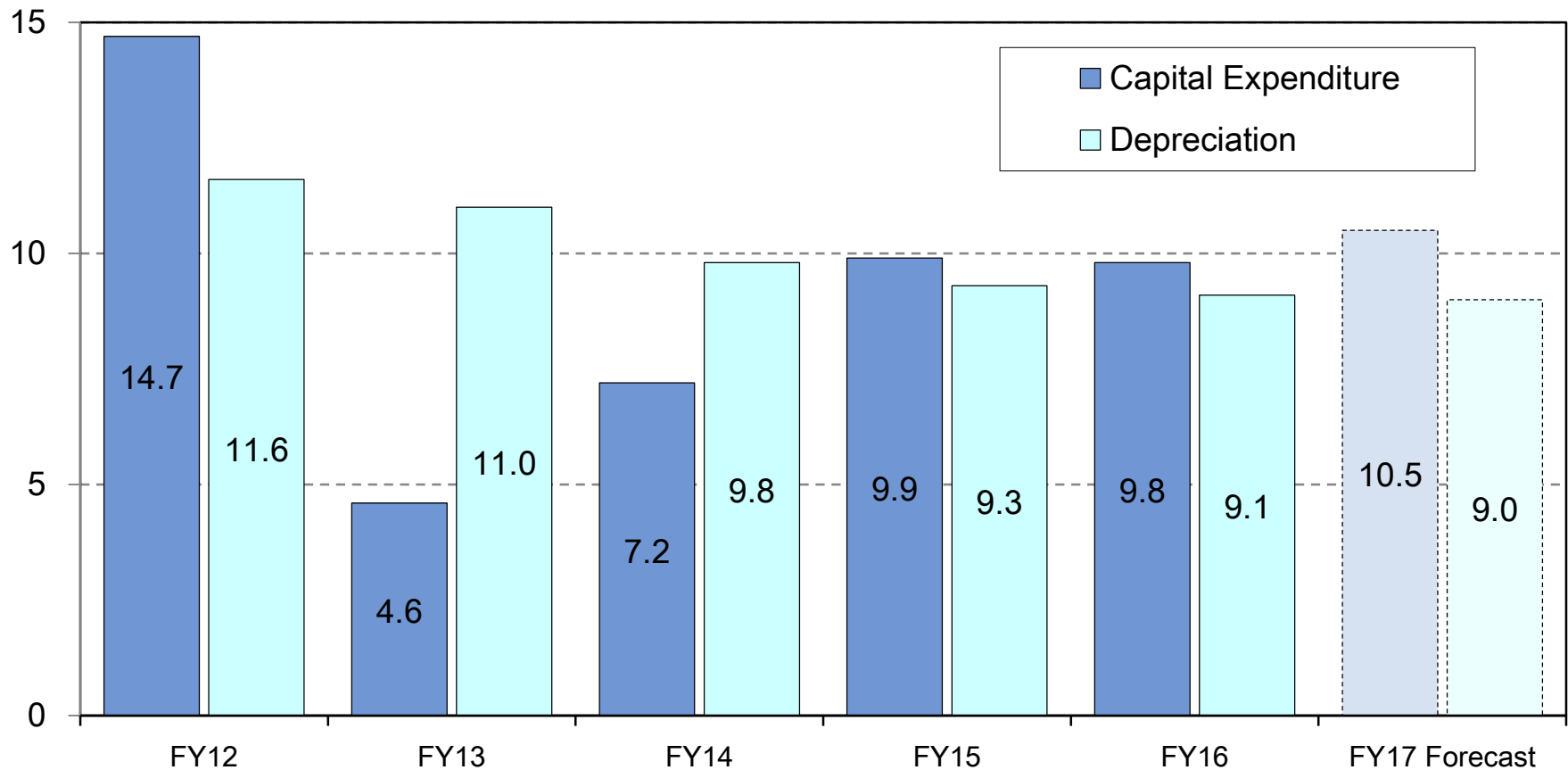


Note : Target of the 9<sup>th</sup> Mid-term Business Plan (FY14 ~ FY16)  
Interest-bearing Debt (Net) ··· 35 billion yen , Net D/E ratio ··· 0.30



# Capital Expenditure and Depreciation

(Billion yen)



# Year-end Dividend

	FY16
Net Income (billion yen)	7.8
Earnings per share (yen/share)	48.29
Annual dividend (yen/share) (A)	<b>12.5</b>
<i>Payout ratio (%)</i>	<i>25.9</i>
Interim dividend (yen/share) (B)	5.0
Year-end dividend (yen/share) (A)-(B)	<b>7.5</b>

(Reference)

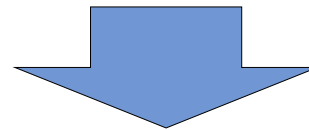
	FY15
Net Income	7.4
Earnings per share	46.00
Annual dividend	12.0 (Interim 6.0 , Year-end 6.0)
<i>Payout ratio (%)</i>	<i>26.1</i>

***FY16 of annual dividend (12.5 yen/share) is the highest since 1989.***

Note : Dividend payment start date ··· June 7, 2017

**< Dividend Policy >**  
**Dividend payout ratio target (consolidated basis)**

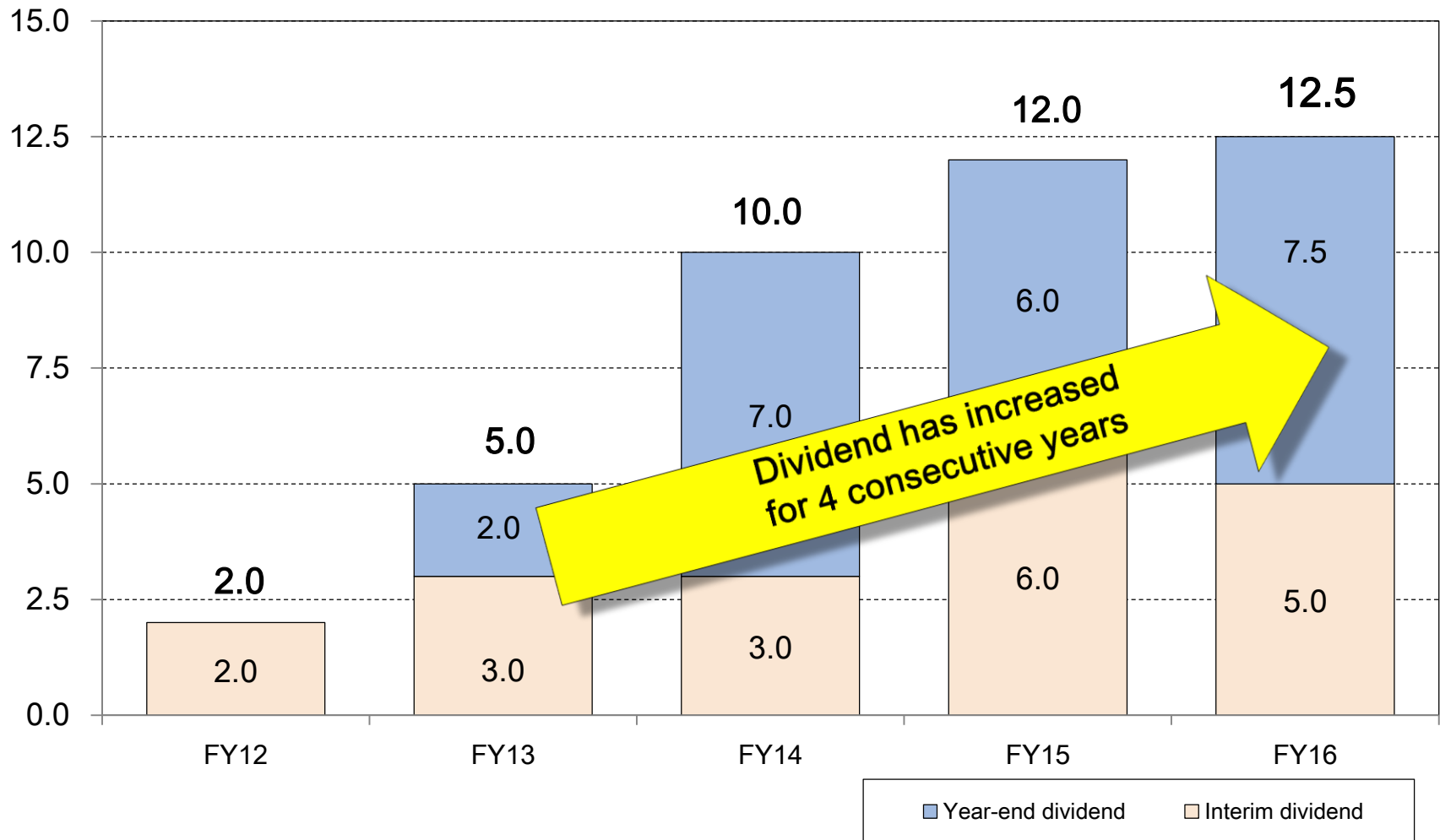
Before 20 ~ 30%



From FY16 Year-end **25 ~ 30%**

# Annual Dividend

(Yen per share)



# Business Forecast for FY17

(Unit : Billion yen,%)

	FY17 1 <sup>st</sup> Half (A)	FY17 2 <sup>nd</sup> Half (B)	FY17 (C)=(A)+(B)		FY16 (D)		Change (C) - (D)	
	Amount	Amount	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Sales	75.0	75.0	150.0	100.0	138.7	100.0	11.3	8.2
Operating Income	5.5	6.3	11.8	7.9	11.7	8.4	0.1	1.0
Ordinary Income	5.5	6.3	11.8	<i>ROS</i> 7.9	11.7	<i>ROS</i> 8.5	0.1	0.5
Net Income* <sup>1</sup>	3.6	4.2	7.8	5.2	7.8	5.6	0.0	0.2
<i>Dividend</i> * <sup>2</sup> (yen per share)	6.0	32.5	—		12.5		—	
<i>Sales Volume</i> (Thousands of ton per month)	87	86	86.5		84.4		2.1	

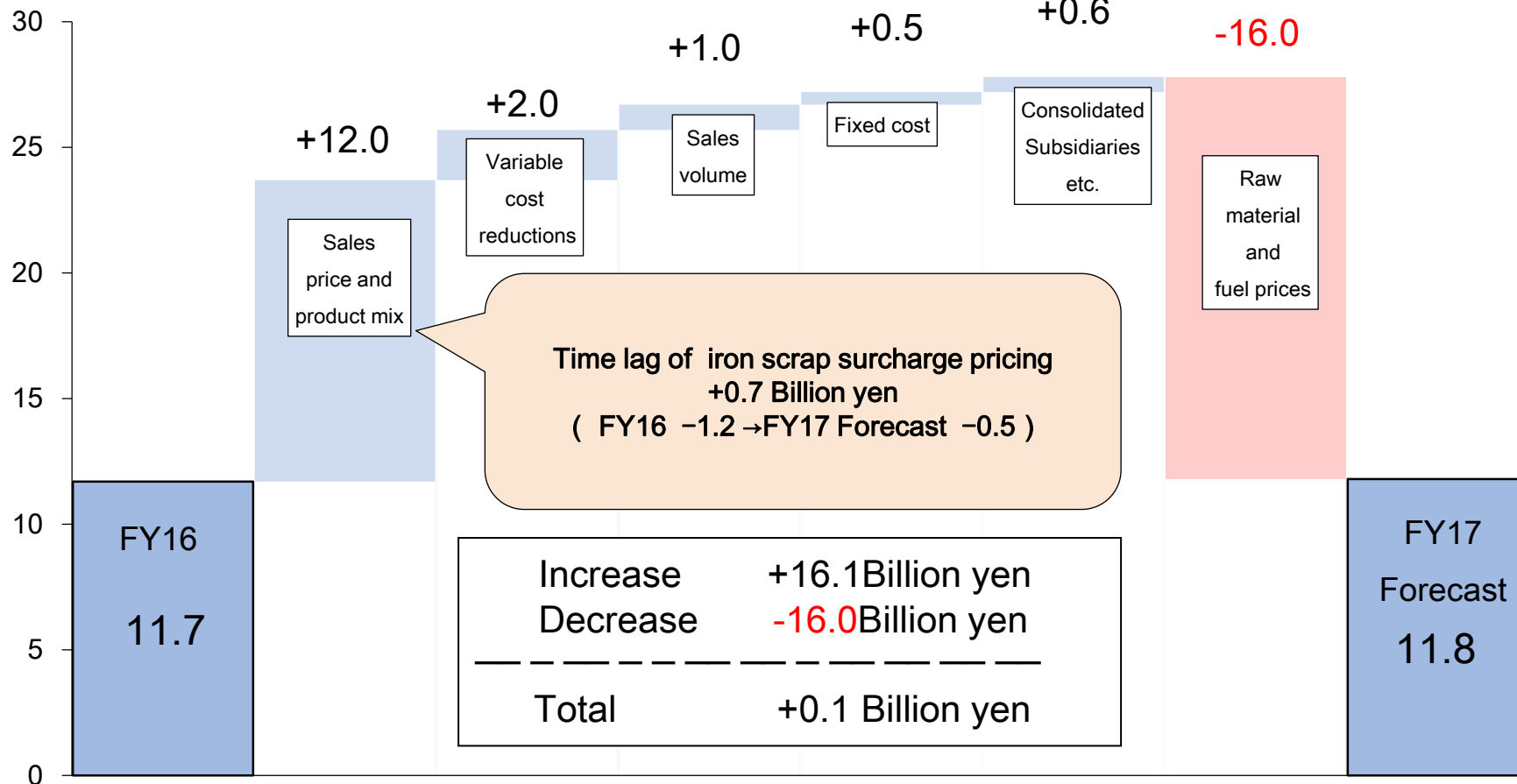
\*1 Profit attributable to owners of parent

\*2 We will conduct a one-for-five reverse stock split of our company's shares effective October 1, 2017. It is factored into the amount shown on FY17 2<sup>nd</sup> half. After taking the reverse stock split into account, FY 17 of annual dividend forecast is 62.5 yen per share.

# Ordinary Income Variance Analysis (FY16 → FY17 Forecast)

FY16(11.7) → FY17 (11.8)(+0.1 Billion yen)

(Billion yen)



# Changes in Financial Indicators

		FY12	FY13	FY14	FY15	FY16
ROE (Net Income to Net Assets)	%	0.5	4.1	6.1	6.6	6.6
ROS (Ordinary Income to Net Sales)	%	1.2	4.2	5.7	7.7	8.5
ROA (Ordinary Income to Total Assets)	%	0.8	3.4	4.8	6.0	6.5
Equity Ratio	%	48.6	50.2	55.8	62.4	66.7
Interest-bearing Debt (Net)	Billion yen	51.6	47.8	33.2	14.3	12.7
Net D/E Ratio *	Times	0.53	0.46	0.29	0.13	0.10
Net Income Per Share	¥/share	3.2	25.2	40.6	46.0	48.3
Net Assets Per Share	¥/share	599	633	700	697	759
Number of employees at end of period	Persons	2,829	2,775	2,706	2,625	2,598

\* Net debt equity ratio . . . Interest-bearing debt (net) / Net Assets

# Other Topics

## (1) Award of the 63rd (Fiscal 2016) Okochi Production Prize

- Sanyo Special Steel was awarded the Okochi Production Prize for its “Development of High Productivity Process of Ultra-High-Cleanliness Bearing Steel” in February 2017. It is about 20 years since we received this Prize in fiscal 1997.
- Bearing steel is the material to make bearings which are used under severe conditions for a long time. It is required to have high cleanliness.
- We realized high productivity of high quality steel by our technological developments which lead to minimizing the number and size of non-metallic inclusions in molten steel in the melting-refining -casting process. We achieved the world record of 100 heats of continuous casting without interruption in February 2015.
- Crude steel production of our main No.2 steelmaking plant amounted to 30 million tons in February 2017 since its start up in October 1982.



At the award ceremony

Note: The Okochi Memorial Prizes

The prizes are awarded by Okochi Memorial Foundation in commemoration of defunct Dr. Masatoshi Okochi's achievements. They are large traditional and prestigious prizes to honor outstanding accomplishments which contributed to the advancement of academia and the development of industry in the field of research and implementation of manufacturing engineering, industrial technology, and production systems in Japan.

# Other Topics

## (2) Successful Development of High-Toughness Technology of Hyper-Eutectoid Steel

- Sanyo Special Steel successfully developed high-toughness technology of hyper-eutectoid steel in collaborative research with Komatsu Ltd. and Osaka University. (News released in February 2017)
- Newly developed steel compositions and a new heat-treatment technology suitable for these compositions have enabled us to significantly improve the toughness of hyper-eutectoid steel. We have realized an improvement in the trade-off between hardness and toughness.
- With the practical application of the technology, we expect the following outcomes:
  - Improvement in the performance of parts and dies/molds, that is, their strength, shock resistance, abrasion resistance, etc.
  - Energy saving and reduction of emission gas with smaller and lighter parts
  - Cost reduction with reduced usage of rare metals

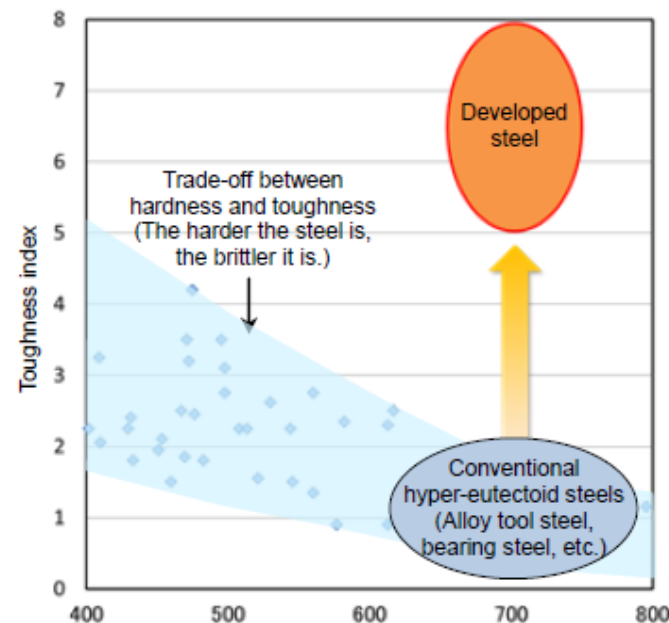


Figure :Relationship between Hardness and Toughness of Steels.

Note: Hyper-eutectoid Steel

Collective name of steels that contain 0.7% or more carbon. By quenching and tempering, this steel easily shows high hardness and high abrasion resistance; therefore, it is often used for tools, bearings, structural parts of machines, etc.



# Other Topics

## (3) Formed and Fabricated Materials Company in Mexico (Our Subsidiary)

The plant will start operation in summer 2017, as planned.

### 【Company Outline】

- Name : Sanyo Special Steel Manufacturing de México, S.A. de C.V.
- Location : Abasolo city, the State of Guanajuato, the United Mexican States
- Business : Manufacture and sale of formed and fabricated materials for bearings
- Capital : About 5,000 million yen



< Plant under construction >

## (4) No.2 Metal Powder Plant

The plant will start operation in summer 2017, as planned.

### 【Outline】

- Location : next to No.1 Metal Powder Plant
- Investment Cost : 2,000 million yen
- To meet growing market for 3D printing, etc. and the demand of high-purity metal powder
- Highly clean plant for new market

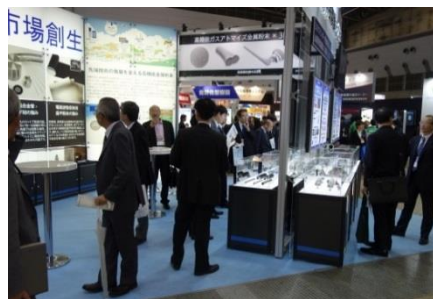


< No.2 metal powder plant >

# Other Topics

## (5) Exhibition at Metal Japan, Highly functional Metal Expo

- It was held at Tokyo Big Sight from April 5 to 7, 2017.
- We exhibited metal powders for 3D printing, highly functional gas-atomized metal powders, sputtering targets, P/M high speed steels, corrosion-resistant alloy, and heat-resistant alloy.
- About 1,600 visitors came to our booth.



## (6) Financial results briefing and factory tour for individual stockholders

- It was held in March 2017.
- We have annually held it since 2007, so that individual stockholders would gain a better understanding of our company.
- About 50 stockholders visited No.2 Steelmaking Plant, No.2 Bar & Wire Rod Mill, and 5,000t Forging Press.





# SANYO SPECIAL STEEL



## (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)