
Overview of Business Results

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

“ Special Steel ” - specialized, and exists in everyday life

 **SANYO SPECIAL STEEL**

November 16, 2018



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

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Outline of Statements of Income

(Unit : Billion yen)

	FY18 1 st Half (A)		FY17 1 st Half (B)		Change (B) → (A)		FY18 1 st Half Forecast ^{*1}	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Sales Volume <i>(Sanyo^{*2}+MSSSPL^{*3})</i> <i>(Thousands of ton per month)</i>	95.2		88.0		+7.2		98.0	
<i>(Sanyo)</i>	88.6		88.0		+0.6		91.5	
Net Sales	89.7	100.0	76.1	100.0	+13.7	+18.0	90.0	100.0
Operating Income	5.8	6.5	6.6	8.7	-0.8	-11.9	5.5	6.1
Ordinary Income	5.7	<i>ROS</i> 6.4	6.5	<i>ROS</i> 8.6	-0.8	-11.6	5.5	<i>ROS</i> 6.1
Net Income ^{*4}	5.1	5.6	4.3	5.6	+0.8	+18.8	5.0	5.6

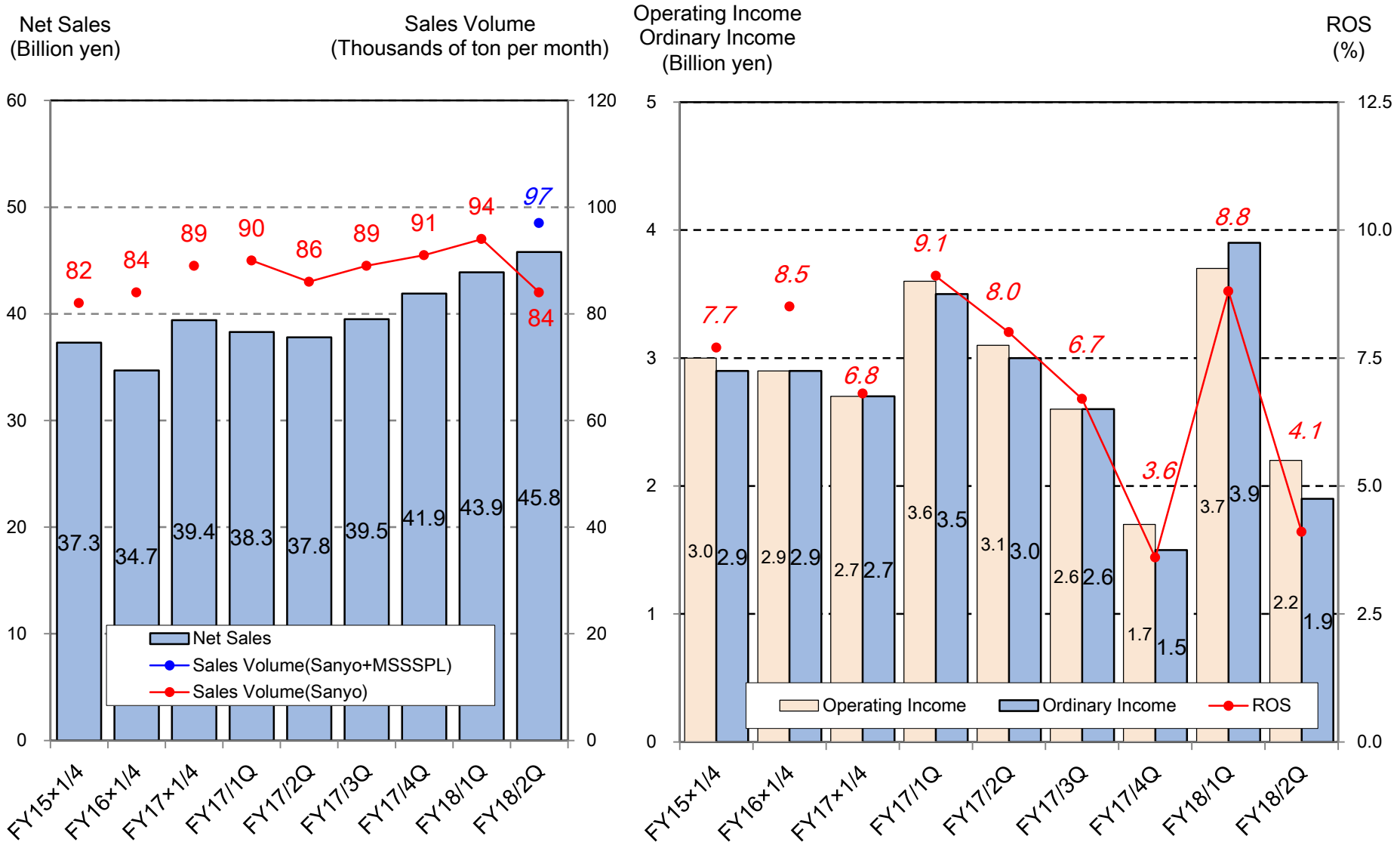
*1 Forecast as of August 2, 2018

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

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

*4 Profit attributable to owners of parent. FY18 1H includes gains on step acquisition (1.5 billion yen) by making MSSSPL our subsidiary in June 2018.

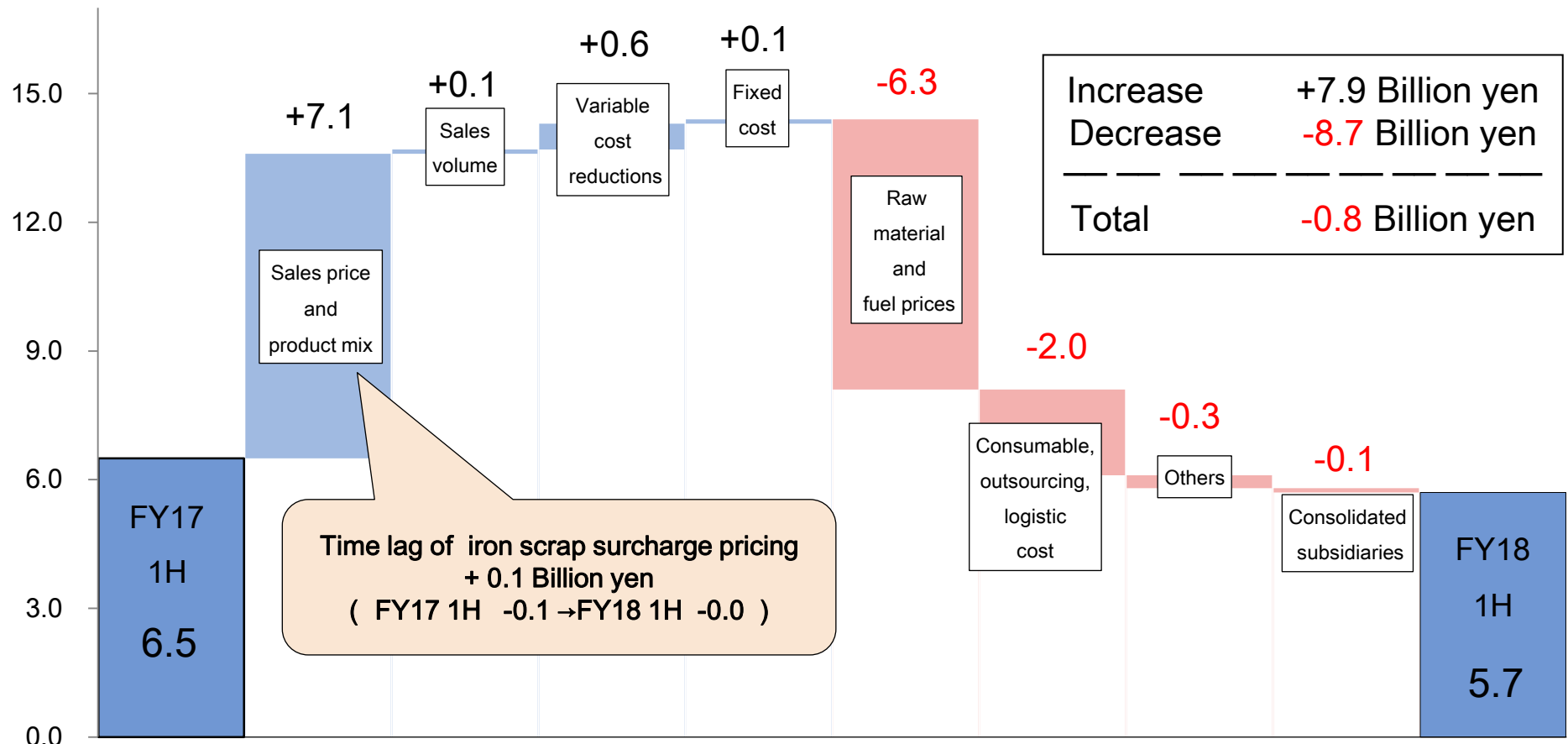
Net Sales and Ordinary Income (quarterly)



Ordinary Income Variance Analysis

FY17 1st Half (6.5) → FY18 1st Half (5.7) (-0.8 Billion yen)

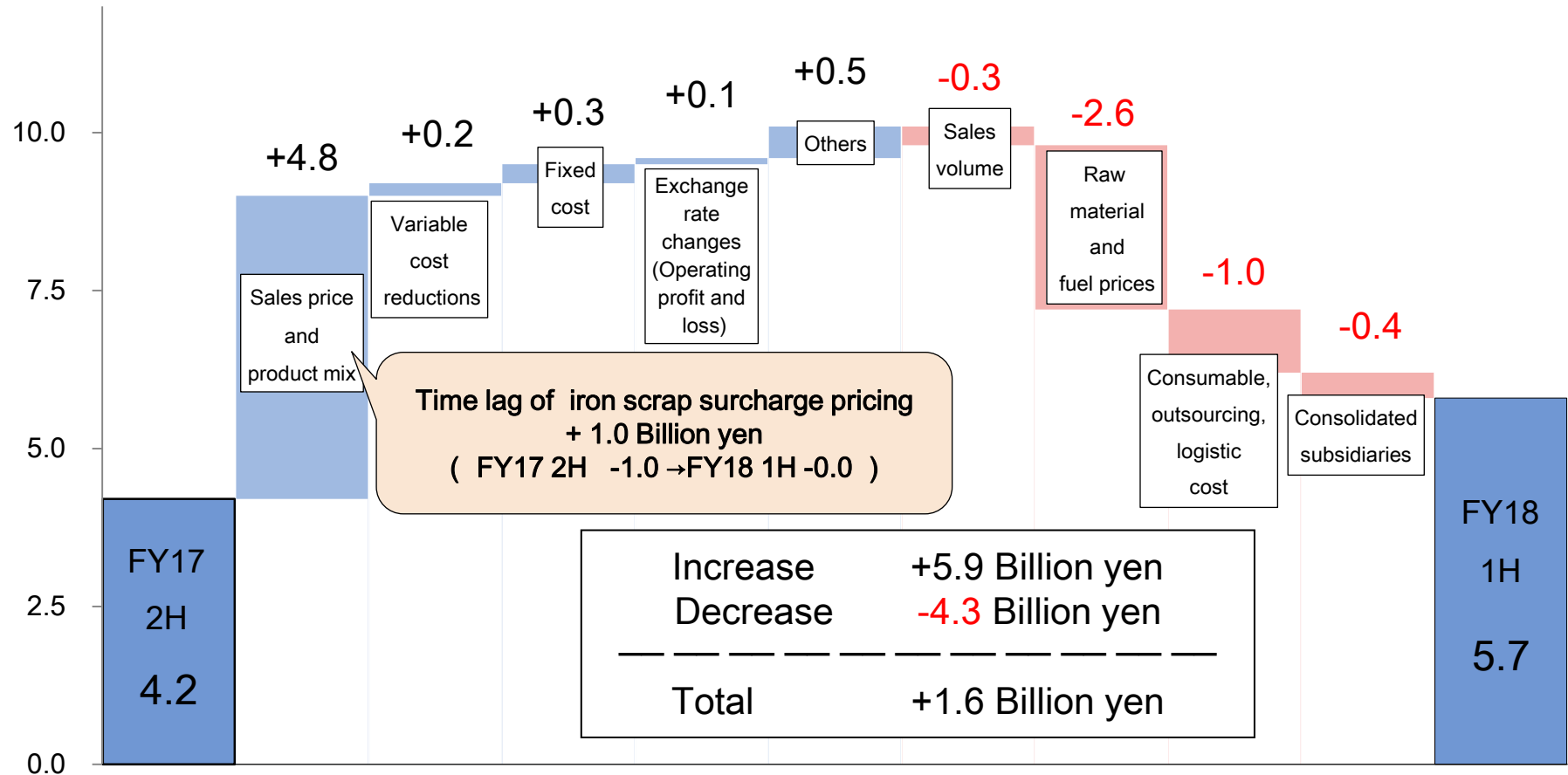
(Billion yen)



Ordinary Income Variance Analysis

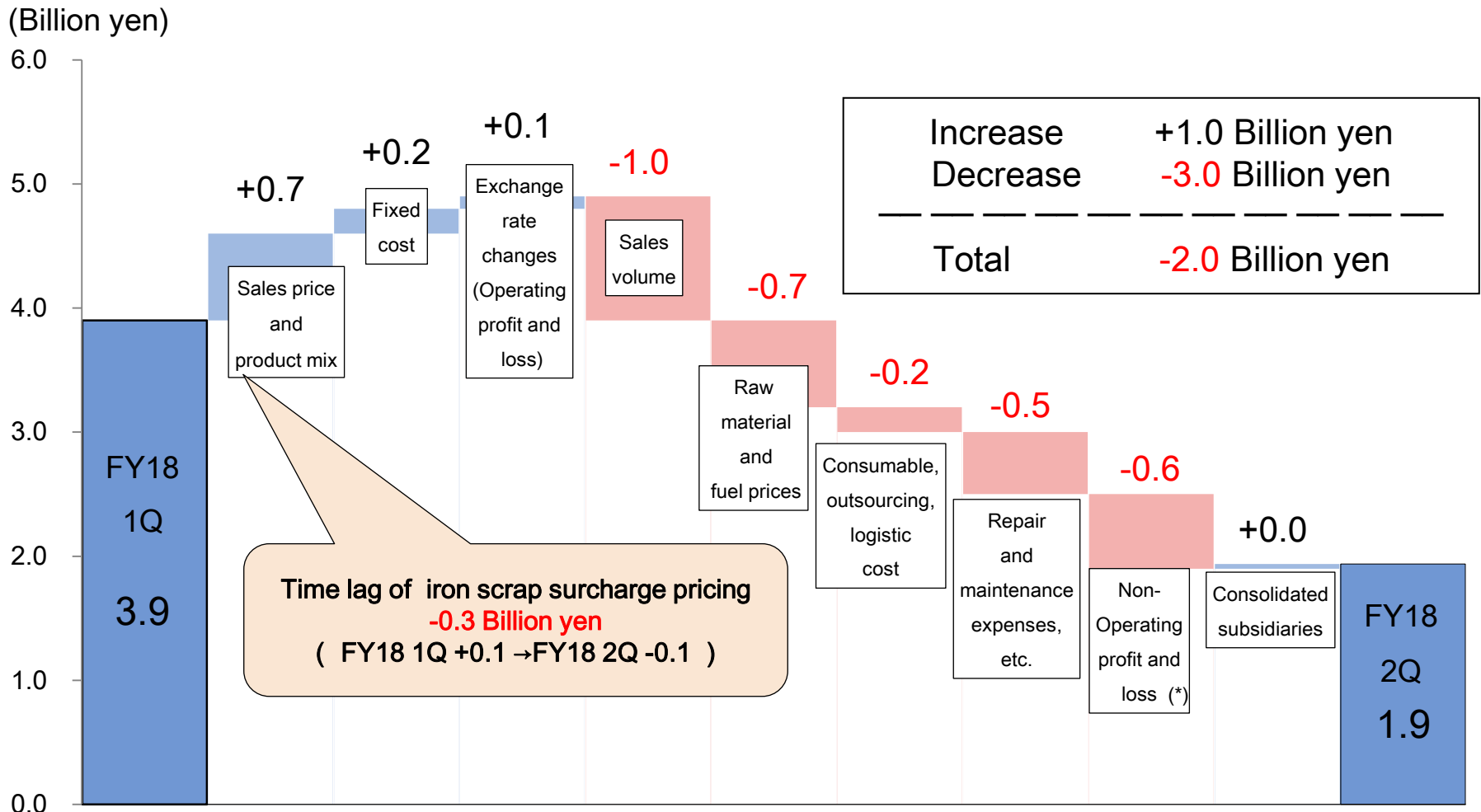
FY17 2nd Half (4.2) → FY18 1st Half (5.7) (+1.6 Billion yen)

(Billion yen)



Ordinary Income Variance Analysis

FY18 1Q (3.9) → FY18 2Q (1.9) (-2.0 Billion yen)



*Expense related to acquisition of shares -0.2, Dividend income & Interest expense -0.3

Earnings by Business Segment

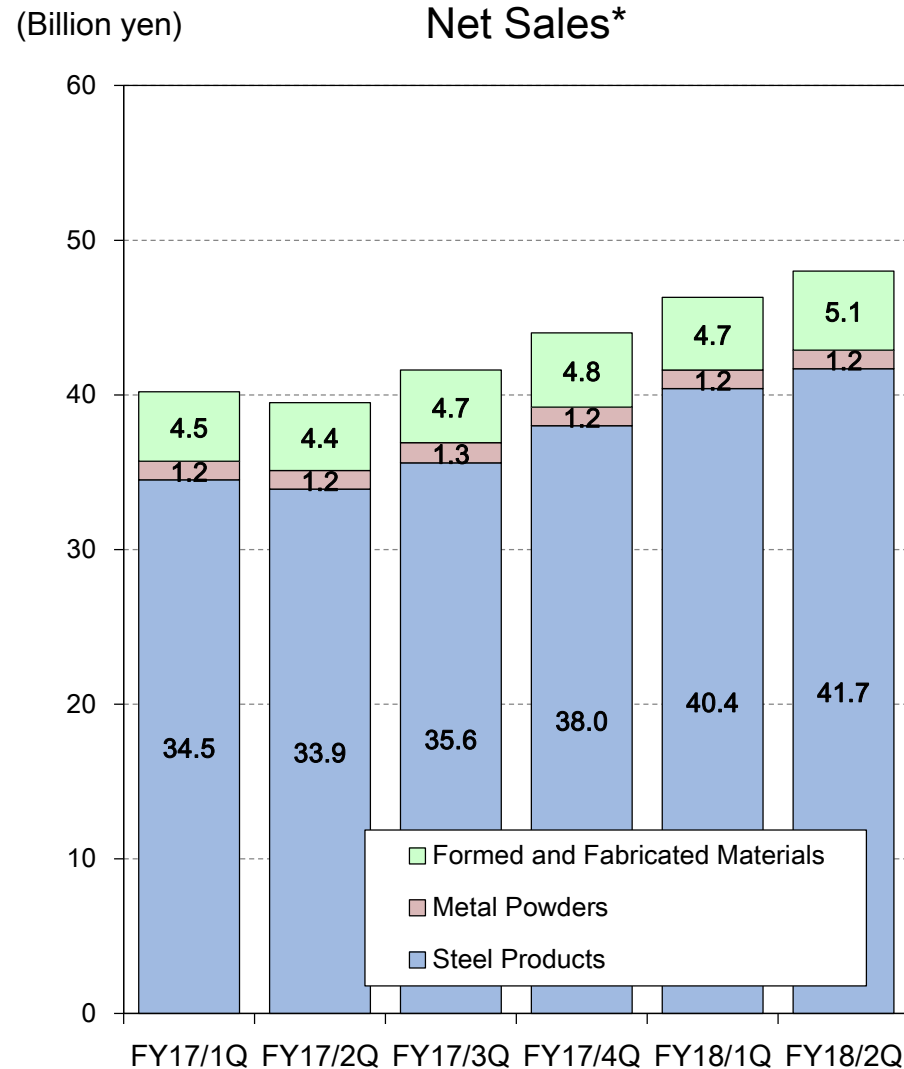
(Unit : Billion yen)

	FY18 1 st Half (A)			FY17 1 st Half (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products*	82.1	5.0	6.1	68.4	5.6	8.2	+13.6	-0.6	-2.1
Metal Powders*	2.4	0.4	15.1	2.4	0.5	21.6	+0.0	-0.2	-6.5
Formed and Fabricated Materials*	9.9	0.4	3.9	8.9	0.5	5.1	+1.0	-0.1	-1.2
Sub-total	94.3	5.8	6.1	79.7	6.6	8.2	+14.6	-0.8	-2.1
Other	0.7	0.0	1.4	0.7	0.0	0.2	-0.0	+0.0	+1.2
Adjustments*	-5.3	0.0	—	-4.4	0.1	—	-0.9	-0.0	—
Consolidated Total	89.7	5.8	6.5	76.1	6.6	8.7	+13.7	-0.8	-2.2

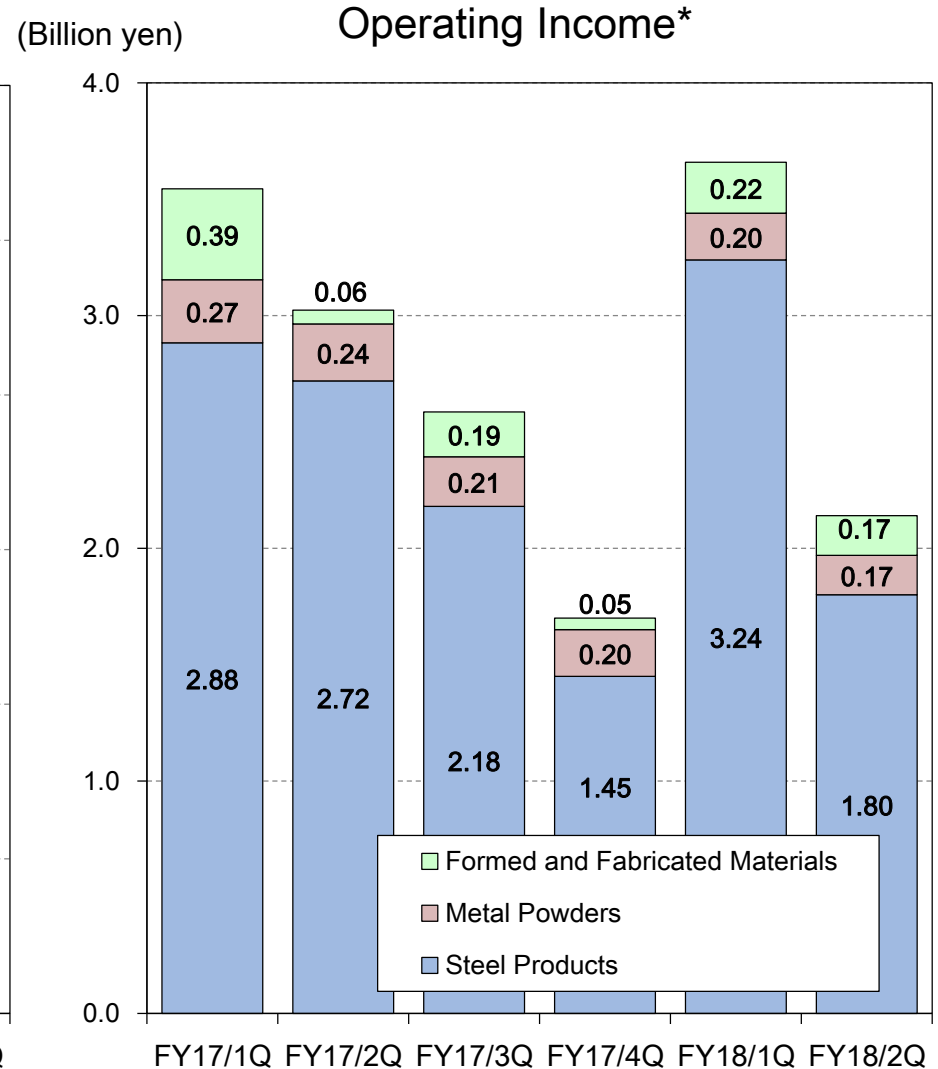
* As a result of the management method change, adjustments of inventory value, which had been included in "Adjustments", are allocated to operating income of each reporting segment from FY18.

Segment information of FY17 is also described after this change.

Changes in Business Segment(quarterly)



*Including intersegment transactions



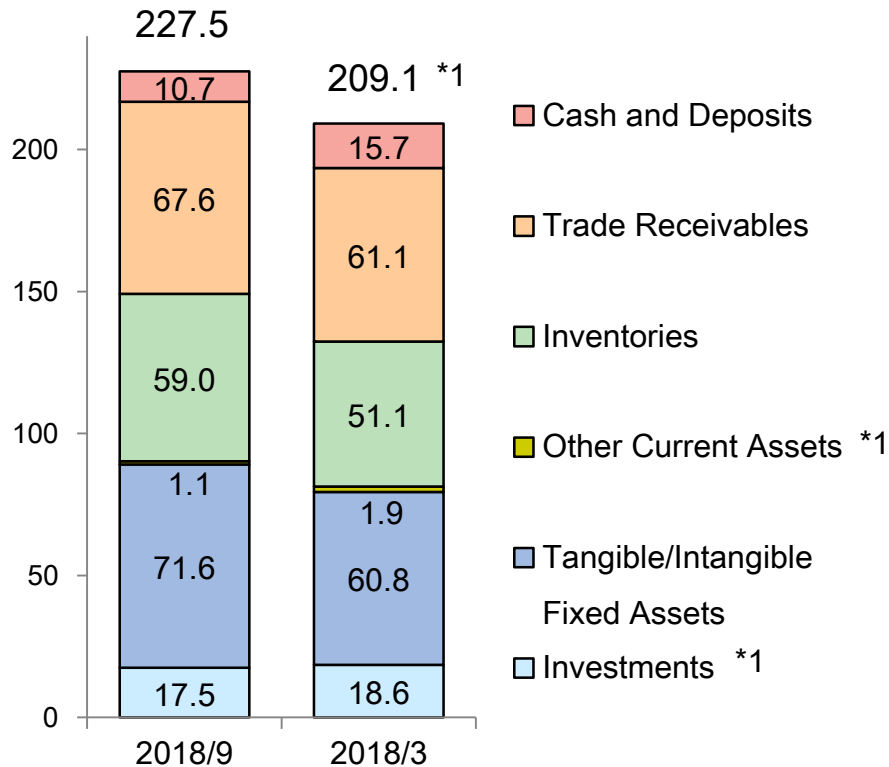
*Including intersegment transactions

Revised by the management method change

Balance Sheets

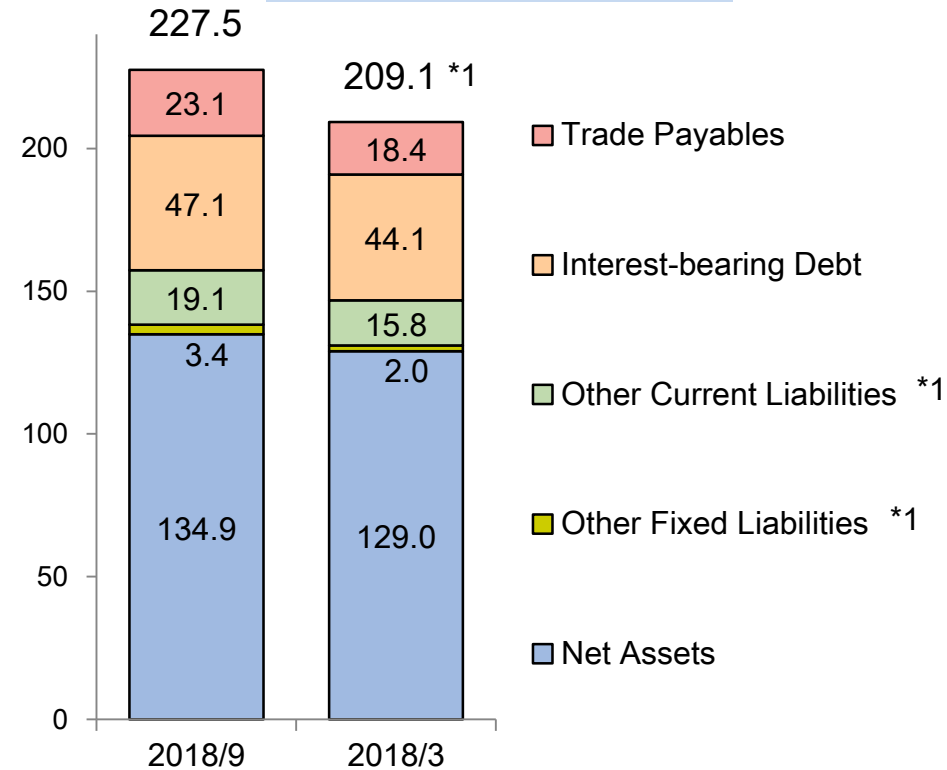
(Billion yen)

Assets



(Billion yen)

Liabilities and Net Assets



Major changes in Assets +18.4 billion yen

Cash and Deposits	- 5.0
Trade Receivables	+ 6.6
Inventories	+ 7.8
Tangible/Intangible Fixed Assets	+10.8

Major changes in Liabilities and Net Assets +18.4 billion yen

Trade Payables	+4.7
Interest-bearing Debt	+3.0
Net Assets	+5.9

*1 As a result of applying "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc., the figures of FY17 have been adjusted.

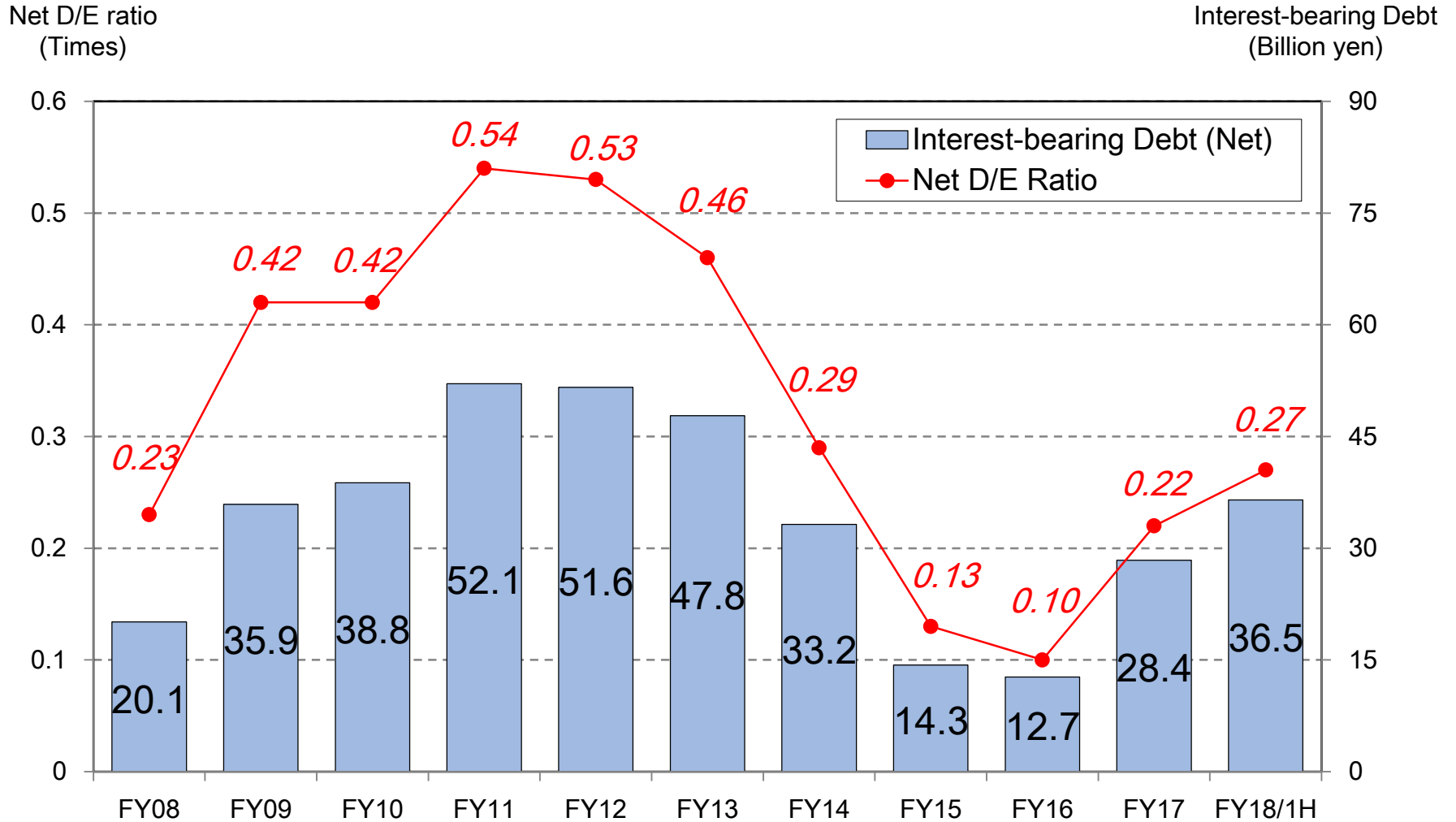
*2 The impact of making Mahindra Sanyo Special Steel Pvt. Ltd. our subsidiary is about 14.2 billion yen.

Statements of Cash Flows

(Unit : Billion yen)

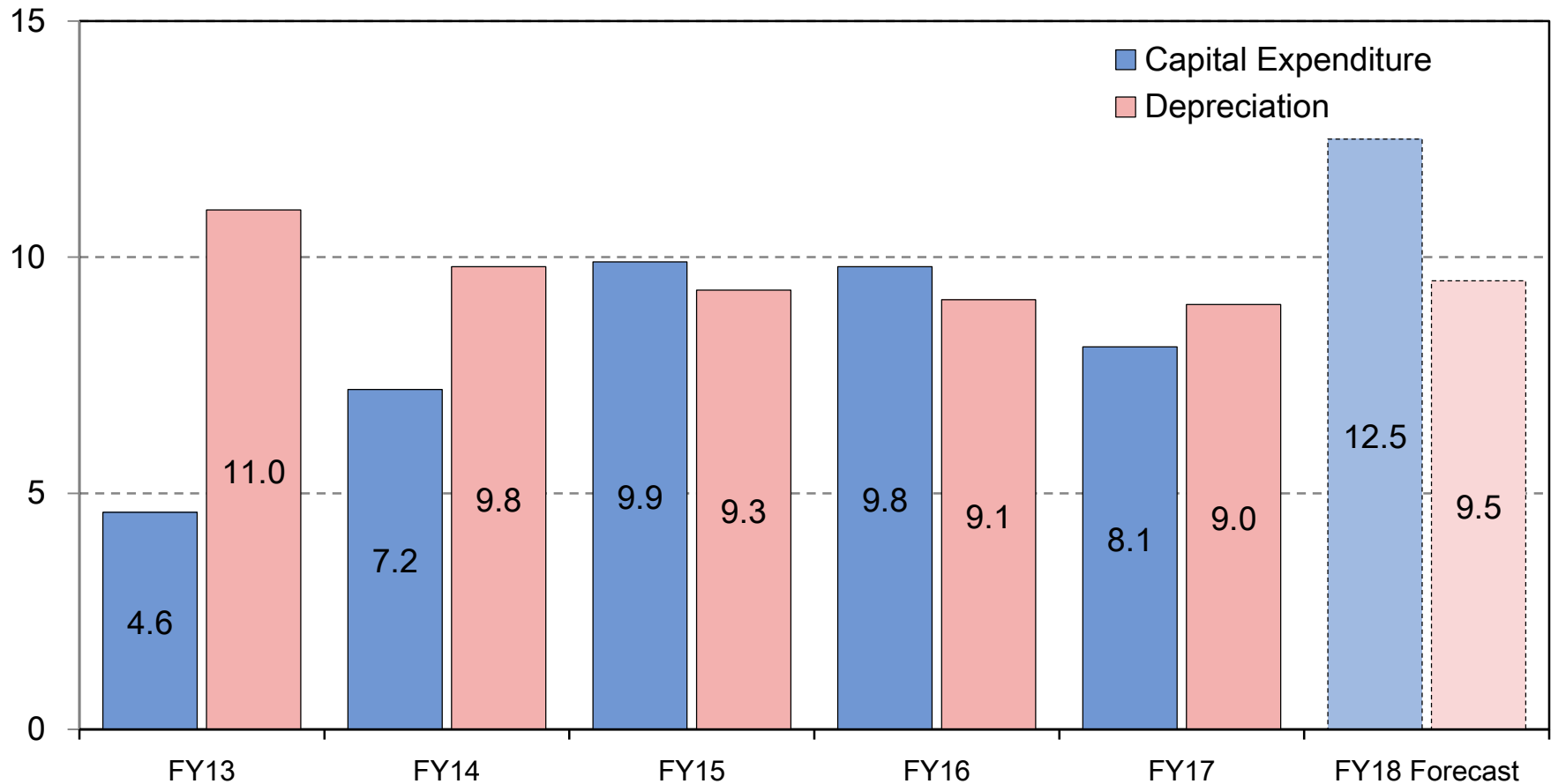
	FY17 1H	FY17 2H	FY18 1H
Cash flows from operating activities (A)	-5.6	0.0	3.3
Net income before income taxes	6.3	4.0	6.8
Depreciation & Amortization of goodwill	4.3	4.8	4.5
Income taxes	-1.8	-1.9	-1.5
Working capital, etc.	-14.3	-6.9	-6.5
Cash flows from investing activities (B)	-4.4	-4.0	-5.5
Capital expenditure	-4.3	-3.7	-3.8
Others	-0.1	-0.2	-1.8
Free Cash Flows (A+B)	-10.0	-4.0	-2.2
Cash flows from financing activities (C)	6.2	8.5	-2.0
Increase/Decrease in borrowings/bonds/commercial papers	7.0	9.6	-1.2
Purchases or Sales of treasury stock	-0.0	-0.0	-0.0
Cash dividends	-1.2	-1.1	-0.8
Others	0.4	0.0	-0.0
Translation Difference (D)	0.2	-0.2	-0.2
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)	-3.6	4.3	-4.4

D/E Ratio



(Reference) Capital Expenditure and Depreciation

(Billion yen)



Business Forecast for FY18

(Unit : Billion yen)

	FY18 1st Half Result (A)	FY18 2nd Half Forecast (B)	FY18 Forecast (C)=(A)+(B)		FY17 Result (D)		Change (D) → (C)	
	Amount	Amount	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Sales Volume (Sanyo*2+MSSSPL*3) (Thousands of ton per month)	95.2	104.5	99.9		89.1		+10.8	
(Sanyo)	88.6	91.5	90.1		89.1		+1.0	
Net Sales	89.7	95.3	185.0	100.0	157.5	100.0	+27.5	+17.5
Operating Income	5.8	4.2	10.0	5.4	11.0	7.0	-1.0	-8.8
Ordinary Income	5.7	3.8	9.5	ROS 5.1	10.7	ROS 6.8	-1.2	-10.9
Net Income*4	5.1	2.9	8.0	4.3	7.0	4.5	+1.0	+13.7

*1 The FY18 forecast announced on August 2, 2018 remains the same.

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

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

*4 Profit attributable to owners of parent.

Major assumptions

- Scrap iron 38,000 yen/t
(H2 market price in Himeji area)
- Crude oil(Dubai) 75\$/BL
- Exchange rate 110 yen/US\$

Dividend

		FY18 1st Half Result*2	FY18 2nd Half Forecast	FY18 Forecast	(Reference) FY17 Result
Net Income*3	Billion yen	5.1	2.9	8.0	7.0
Earnings Per Share*4,5	¥/share	157.1	89.8	246.3	218.3
Dividend*4	¥/share	45.0	26.5	71.5	58.5 (Interim 33.5 Year-end 25.0)
Payout Ratio*5,6	%	28.6	29.5	29.0	26.8

*1 The FY18 forecast announced on August 2, 2018 remains the same.

*2 Scheduled date to pay dividends : November 30, 2018

*3 Profit attributable to owners of parent

*4 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 .

*5 We will conduct a third-party allotment effective on March 28, 2019. Earnings Per Share and Payout Ratio in FY18 forecast are calculated based on average number of shares after this issuance.

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

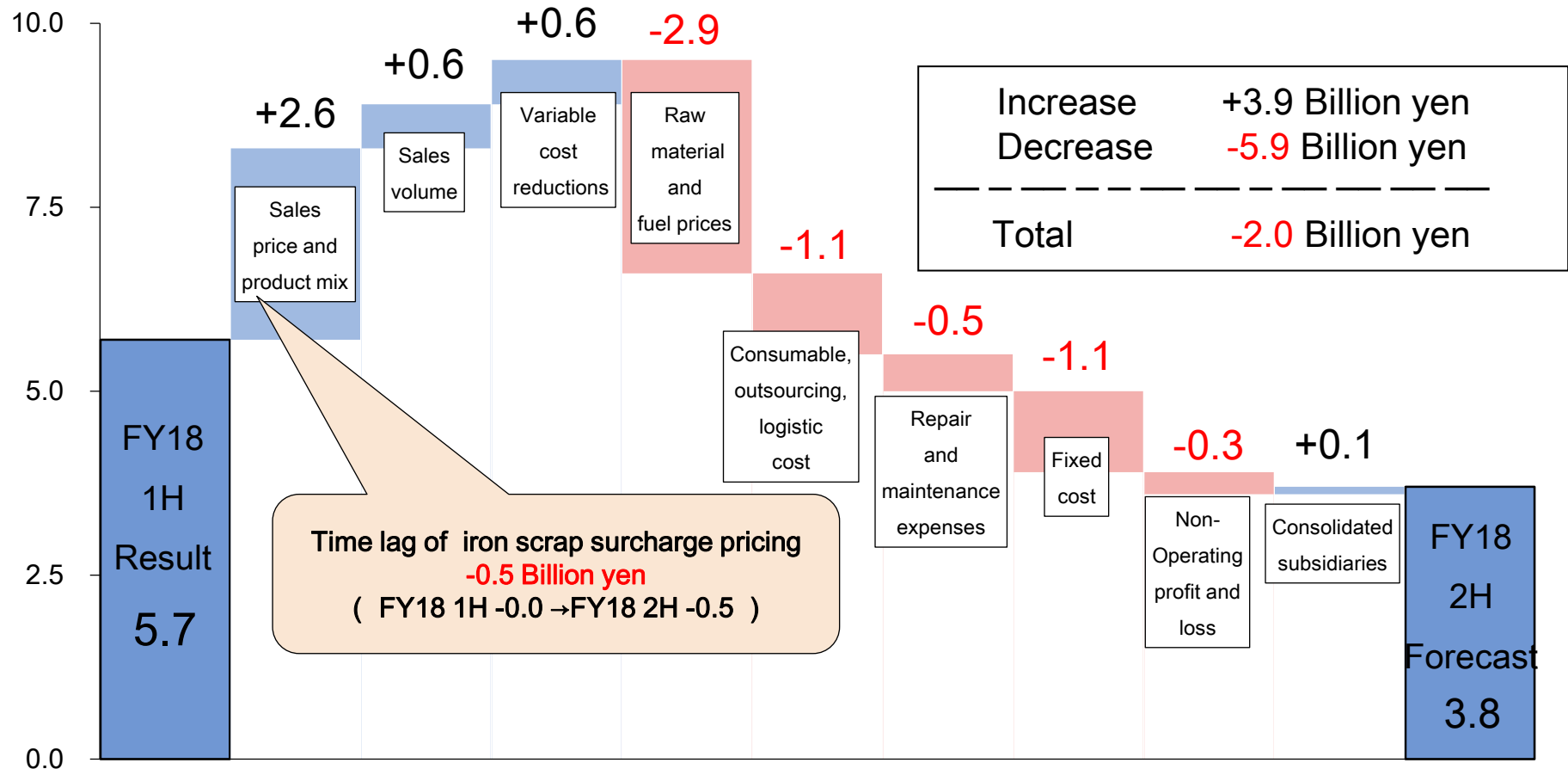
< Dividend Policy >

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

Ordinary Income Variance Analysis

FY18 1st Half (5.7) → FY18 2nd Half (3.8) (-2.0 Billion yen)

(Billion yen)



Changes in Financial Indicators

		FY13	FY14	FY15	FY16	FY17	FY18 1H
ROE (Net Income to Net Assets) *1	%	4.1	6.1	6.6	6.6	5.6	7.7
ROS (Ordinary Income to Net Sales)	%	4.2	5.7	7.7	8.5	6.8	6.4
ROA (Ordinary Income to Total Assets) *1,2	%	3.4	4.8	6.0	6.5	5.4	5.2
Equity Ratio*2	%	50.2	55.8	62.4	66.7	61.0	57.6
Interest-bearing Debt (Net)	Billion yen	47.8	33.2	14.3	12.7	28.4	36.5
Net D/E Ratio *3	Times	0.46	0.29	0.13	0.10	0.22	0.27
Earnings Per Share*4	¥/share	126.0	203.0	230.0	241.5	218.3	157.1
Net Assets Per Share*4	¥/share	3,167	3,498	3,483	3,797	3,961	4,066
Number of Employees at End of Period*5	Persons	2,775	2,706	2,625	2,598	2,666	3,768

*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 .

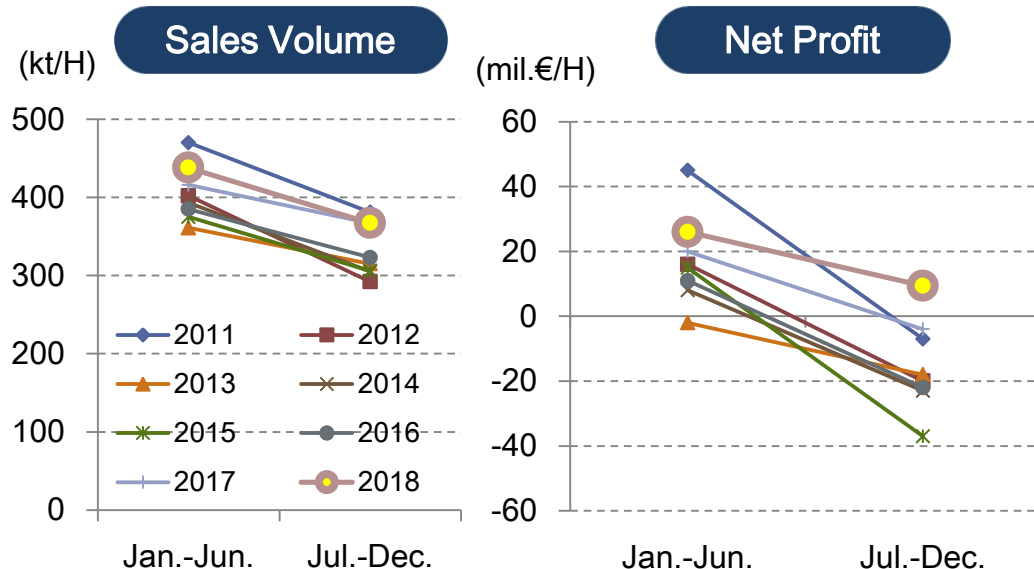
*5 For FY18 1H, Number of Employees increased by making Mahindra Sanyo Special Steel Pvt. Ltd. our subsidiary in June 2018.

Other Topics

(1) OVAKO FY2018 Forecast

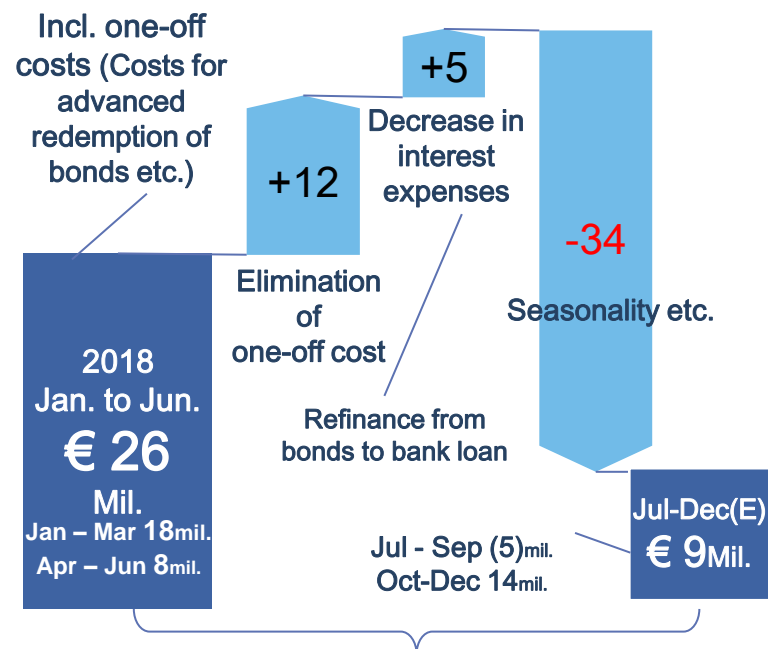
- FY2018 net profit after tax is expected to be 35 million euro. It was 26 million euro for the first half of the year, but it will decline due to decrease in sales volume and increase in cost by periodic maintenance, etc. in the second half of the year.
- Underlying FY2018 net profit after tax will be 52 million euro (approx. 6.4 billion yen) after considering the elimination of one-off costs in the first half of the year and the decrease in interest expenses.

Seasonality (*)



* Excerpt from disclosure material prepared by NIPPON STEEL & SUMITOMO METAL CORPORATION

FY2018 Net Profit After Tax Forecast(*)



FY2018 Net Profit After Tax Forecast : € 35mil.

Underlying Net Profit excl. one-off effect, plus decrease in interest expenses : € 52mil (35+12+5) ≒ ¥6.4bn.

Synergy Effect will be added from FY2019

Other Topics

(2) Receipt of the 41th Japan Institute of Metals and Materials Technical Development Award

- We received this award for the development of “QDX-HARMOTEX[®]”, hot work tool steel with highly-balanced strength and toughness for die casting. We have received this award nine times.
- The development realizes characteristics over conventional steel by alloy design and manufacturing process design for optimizing composition, distribution and homogeneity, focusing on the influence of the type and amount of carbide on the characteristics.
- This award was presented at the Institute annual fall meeting 2018.
- Features of QDX-HARMOTEX[®]
 - 1) Excellent high temperature strength by controlling the precipitated carbide composition.
 - 2) High toughness by optimized alloy design and manufacturing condition.
 - 3) Heat-checking and cracking are controlled in use as die materials.



Note1: The Japan Institute of Metals and Materials Technical Development Award


It is presented to engineers who have achieved excellent results in metallurgical engineering and related original technical development such as new technologies and new products with the aim of recognizing intensive development and research.

Note2: Die Casting

A casting method that molten metal is poured into a die at high speed and high pressure, then it is hardened quickly.



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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)

 **SANYO SPECIAL STEEL**