

## The 8<sup>th</sup> Medium-term Business Plan (FY2011 - FY2013)

### 1. Strategy

**Create greater corporate value through enhancing the brand power of**

**“Sanyo Special Steel – the Confident Choice”**

- ◇ Strengthen technological innovation: “*Sen-no-sen* - Beyond the cutting edge- “
- ◇ Further boost international competitiveness
- ◇ Improve our overall capabilities by building closer ties among our sectors (sales, technology and production) and group companies

We regard the new environment that surrounds us, namely multi-polar world economy brought about by the rise of emerging countries and a changing demand structure resulting from the advancement of low-carbon societies, as our business opportunities as well as potential risks. We seek to establish a globally competitive company by enhancing our non-price competitiveness while also improving cost competitiveness.

Through these efforts, we will pave the way for future profit growth. We will also continue to implement various measures for further consolidating our business foundation and to promote growth strategies while maintaining a sound financial basis.

### 2. Financial Targets

(Billions of yen)

	FY2010 (Forecast)	FY2013 (Target)	Change
Net sales	157.4	200.0	42.6
Operating income	13.5	15.5	2.0
Ordinary income	12.9	15.0	2.1
Net income	7.6	8.5	0.9
Total assets	180.0	200.0	20.0
Interest-bearing debt (net)	45.0	42.0	-3.0
ROS	8.2%	7.5%	-0.7%
ROE	8.2%	7.7%	-0.4%
Depreciation	10.0	13.0	3.0
EBITDA	23.5	28.5	5.0
D/E ratio	0.48	0.38	-0.10
Sales tonnage	90,000 tons/ month	100,000 tons/ month	10,000 tons/ month

[Major assumptions]

- Iron scrap price: At the average level for the period from April through December 2010 (37,000 yen/ton)
- Unit product price: At the average level for the period from April through December 2010
- Margin: Constant
- Exchange rate: 85 yen/US\$

### 3. Key Action Programs

(1) Recognize changes in the demand structure due to growing demand in emerging countries and the advancement of low-carbon societies, and realize development and market launches of new products.

Accurately ascertain the needs of customers that operate in Japan and abroad, whether they are Japanese or non-Japanese, and provide those customers with appropriate products that have non-price competitiveness, thereby helping them improve their competitiveness while pursuing profitability for our group.

Increase the group's export ratio in light of the growing overseas markets; develop our overseas bases, particularly in China, India and ASEAN, and secure/boost sales volume.

(2) Ensure adequate profit margins

Further spread/expand application of the iron scrap surcharge system to prices of raw materials and fuel, which are expected to fluctuate over the medium and long terms, including prices for iron scrap, in order to ensure adequate margins.

(3) Further boost non-price competitiveness

Promote expansion of technological innovation beyond the cutting edge, including development of highly functional, differentiated products and manufacturing technologies, and timely development of appropriate product lines in response to the changing market structure, and maintain/boost our capabilities for assuring product quality, meeting requested delivery dates and providing solutions to users, thereby responding to the needs of customers in a swift and appropriate manner.

(4) Ensure upward flexibility to adequately respond to the changing demand structure

While seeking comprehensive improvement in capacity utilization rates and efficient production, ensure upward flexibility that allows us to respond effectively to the changing demand structure by making use of the capital investments implemented in the 7<sup>th</sup> Medium-term Business Plan.

(5) Pursue environment-friendly manufacturing

Our group has been contributing to the creation of a recycling-oriented society by recycling iron scrap generated mainly in Japan and manufacturing products from such recycled material. We have also been contributing to the advancement of low-carbon societies by developing highly functional product lines designed to support low-carbon societies, such as large-size bearing steel for wind power generation, and providing such products to customers.

In the 8<sup>th</sup> Medium-term Business Plan, we will continue to proactively address energy- and resource-saving issues and work on the development of new products that contribute to the efforts of customers to reduce energy and resources consumption, as we did in the 7<sup>th</sup> Medium-term Business Plan.

(6) Develop human resources to realize sustainable growth

Develop personnel who are capable of responding to globalization of the business environment and consequently strengthen international competition in a carefully planned manner.

Continue with ongoing measures for promoting work-life balance and creating a work environment that allows female employees to take active roles.

**【Reference】**

- Factors Contributing to the Change in Ordinary Income (FY2010 → FY2013)

(Billions of yen)

Factors for profit increase	Sales volume/mix	+4.0	Factors for profit decrease	Increase in fixed costs including depreciation	-4.0
	Reduction in variable costs	+5.3		Higher export ratio, etc.	-2.5
	Increase in profits from Special Materials business, etc.	+1.8		Others	-2.5
Total (A)		+11.1	Total (B)		-9.0
			Net (A-B)		+2.1

- Earnings by Business Segment

- Net sales

(Billions of yen)

	FY2010 (Forecast)	FY2013 (Target)	Change
Steel Products	147.0	184.0	37.0
Special Materials	5.0	10.0	5.0
Formed & Fabricated Materials	16.0	20.0	4.0
Others	1.0	1.0	-
Adjustment	-11.6	-15.0	-3.4
Total	157.4	200.0	42.6

- Operating income

(Billions of yen)

	FY2010 (Forecast)	FY2013 (Target)	Change
Steel Products	11.4	11.5	0.1
Special Materials	1.2	2.5	1.3
Formed & Fabricated Materials	1.5	2.0	0.5
Others	0.1	0.0	-0.1
Adjustment	-0.7	-0.5	0.2
Total	13.5	15.5	2.0

END