
Overview of Business Results

for the 1st Half of Fiscal Year Ending March 31, 2018
(April 2017 → September 2017)



SANYO SPECIAL STEEL



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

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Outline of Statements of Income

(Unit : Billion yen, %)

	FY17 1st Half (A)		FY16 1st Half (B)		Change (B) → (A)	
	Amount	<i>Ratio</i>	Amount	<i>Ratio</i>	Amount	<i>Ratio</i>
Net Sales	76.1	100.0	66.7	100.0	9.3	14.0
Operating Income	6.6	8.7	5.2	7.8	1.4	27.3
Ordinary Income	6.5	<i>ROS</i> 8.6	4.8	<i>ROS</i> 7.1	1.8	36.8
Net Income ^{*2}	4.3	5.6	3.1	4.7	1.1	35.4
<i>ROE(%)</i> ^{*3}	6.8		5.5		+1.3	

FY17 1st Half Forecast ^{*1}	
Amount	<i>Ratio</i>
75.0	100.0
6.2	8.3
6.2	<i>ROS</i> 8.3
4.1	5.5

*1 Forecast as of July 28, 2017

*2 Profit attributable to owners of parent

*3 ROE is annualized.

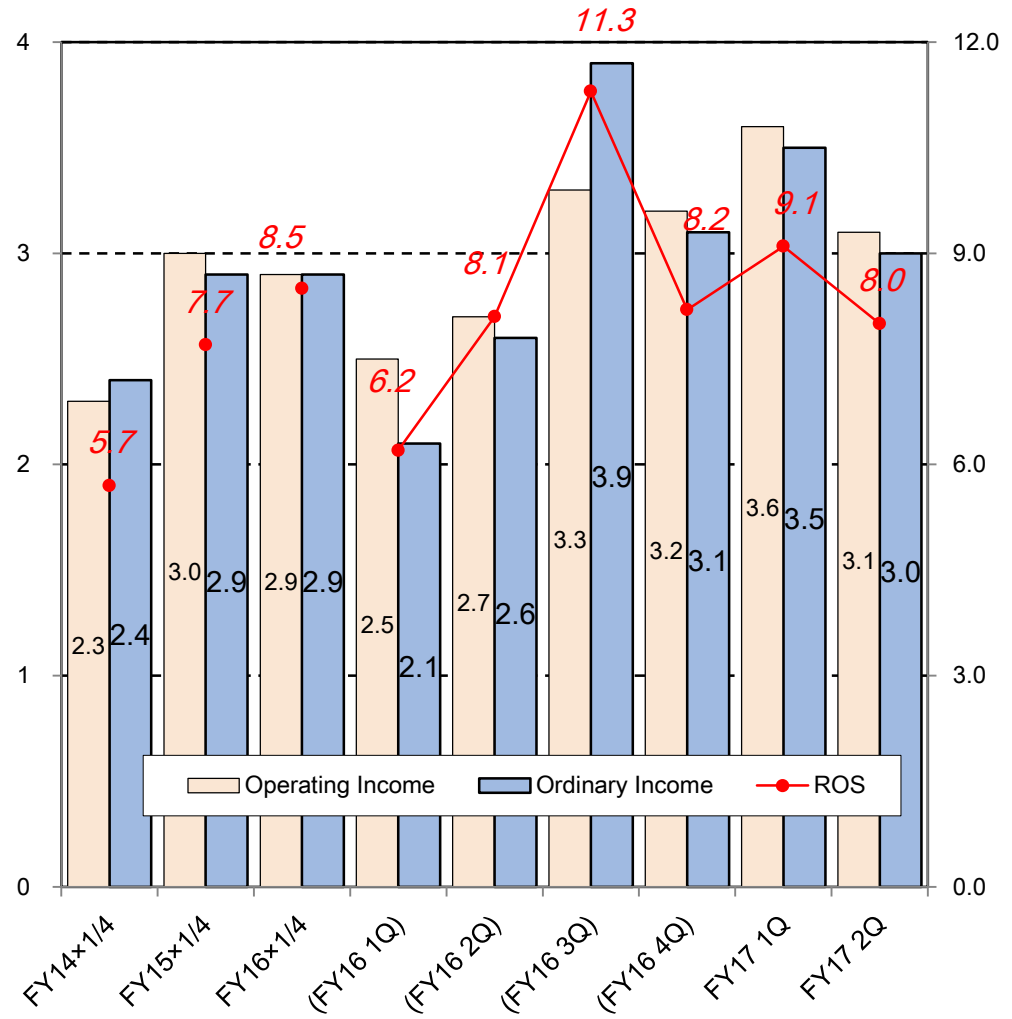
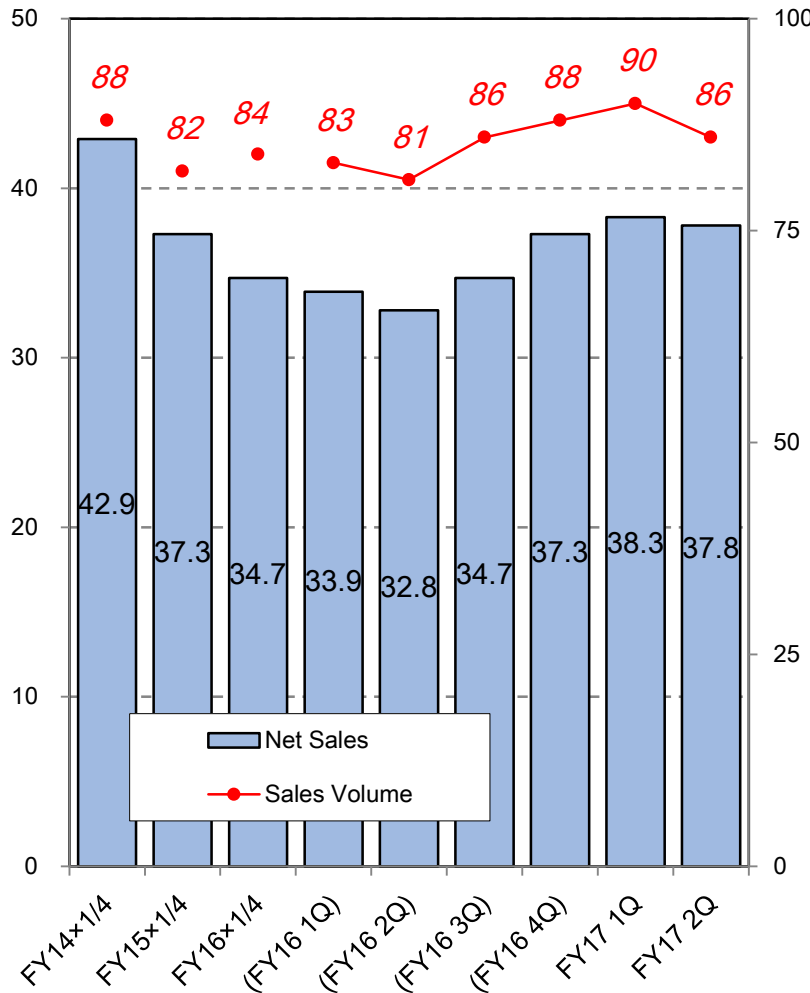
Net Sales and Ordinary Income (quarterly)

Net Sales
(Billion yen)

Sales Volume
(Thousands of ton per month)

Operating Income
Ordinary Income
(Billion yen)

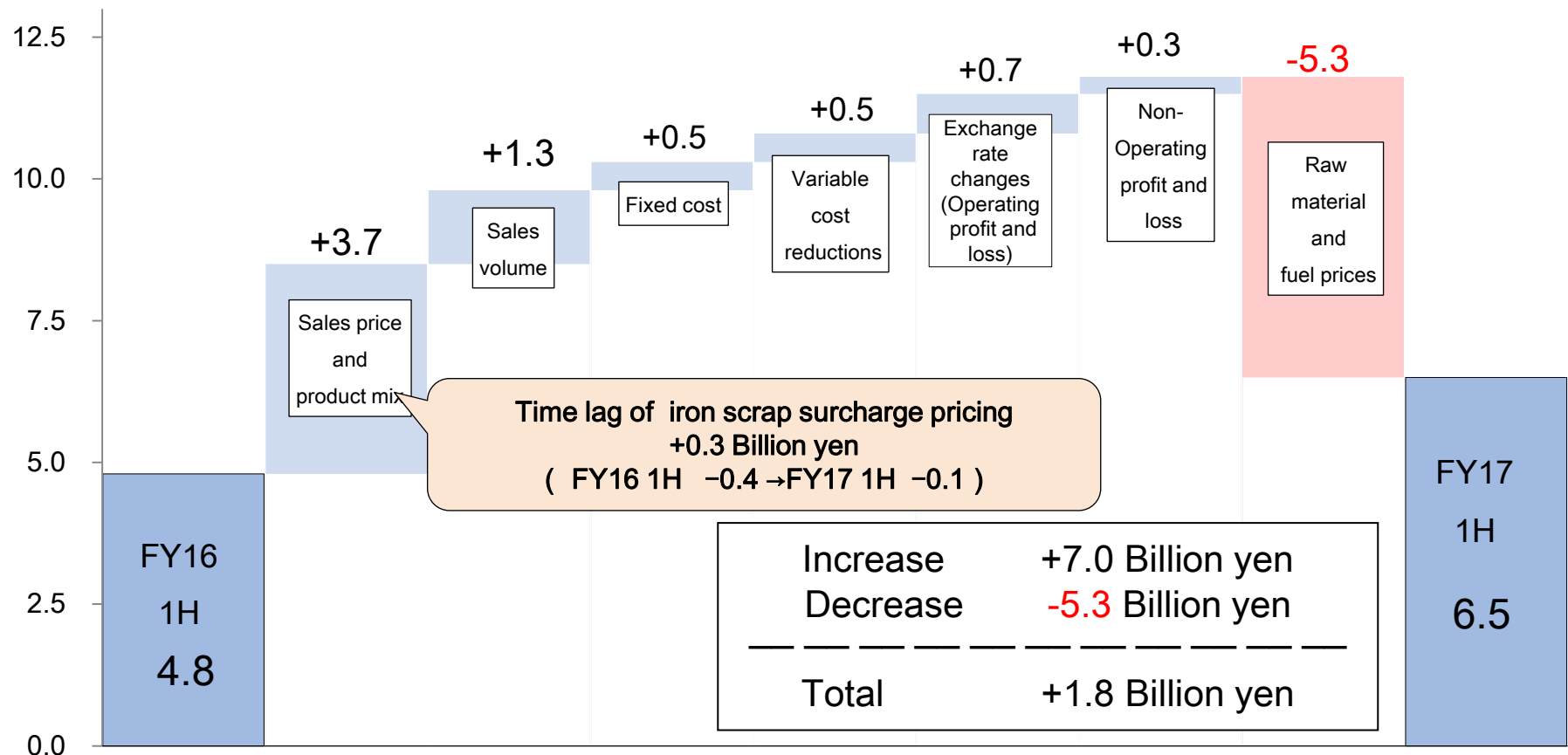
ROS
(%)



Ordinary Income Variance Analysis

FY16 1st Half (4.8) → FY17 1st Half (6.5) (+1.8 Billion yen)

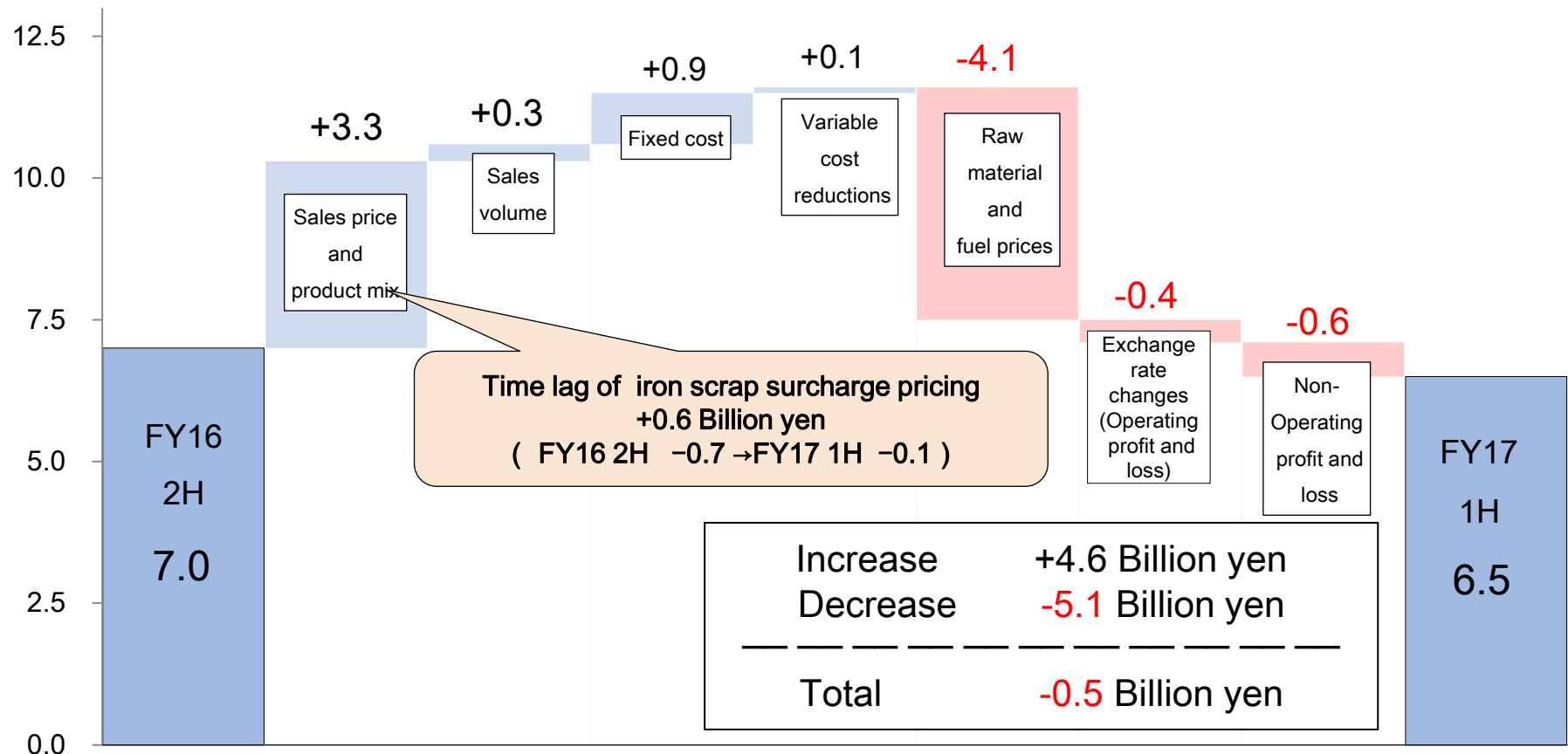
(Billion yen)



Ordinary Income Variance Analysis

FY16 2nd Half (7.0) → FY17 1st Half (6.5) (-0.5 Billion yen)

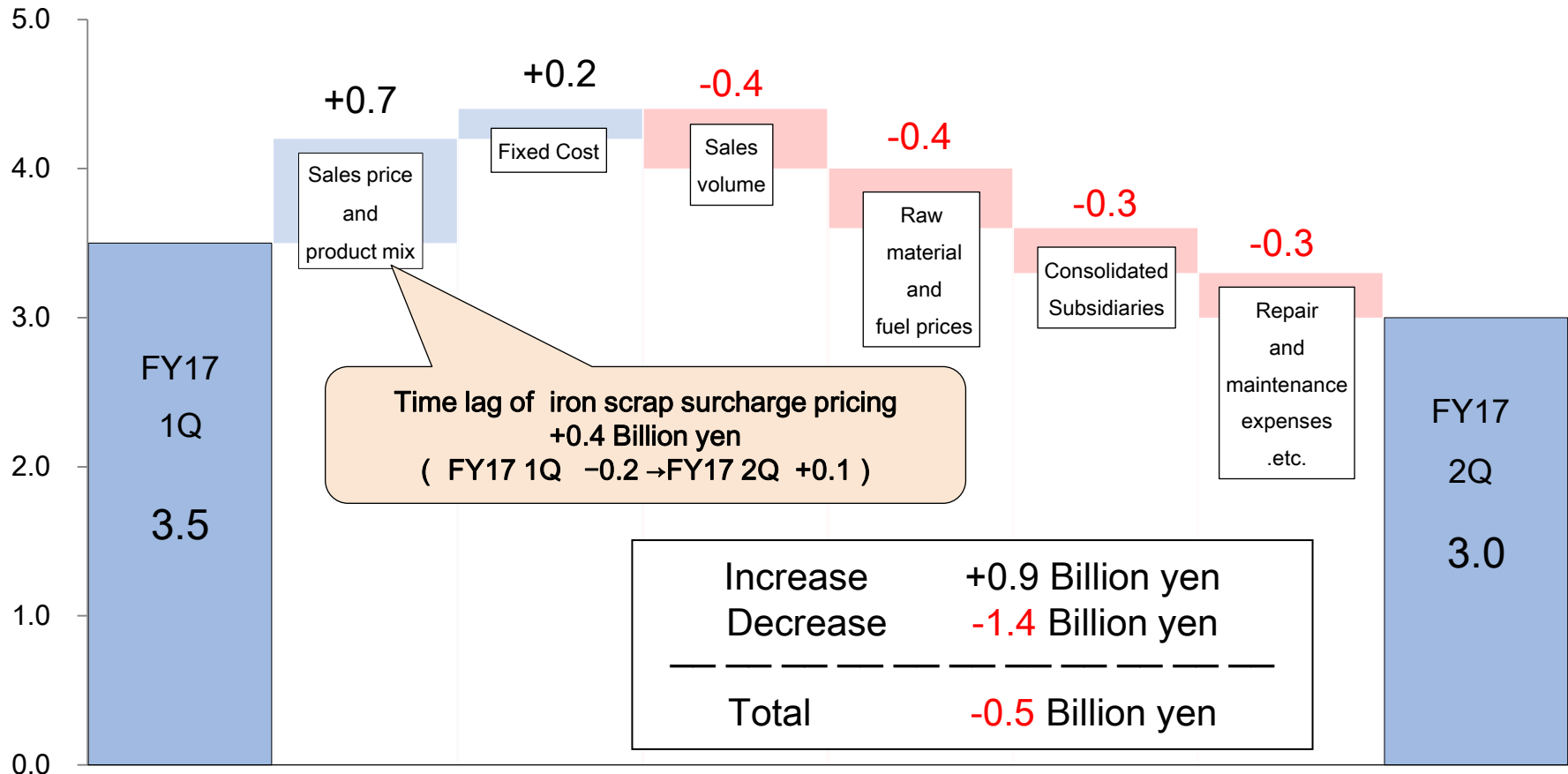
(Billion yen)



Ordinary Income Variance Analysis

FY17 1Q (3.5) → FY17 2Q (3.0) (-0.5 Billion yen)

(Billion yen)



Earnings by Business Segment

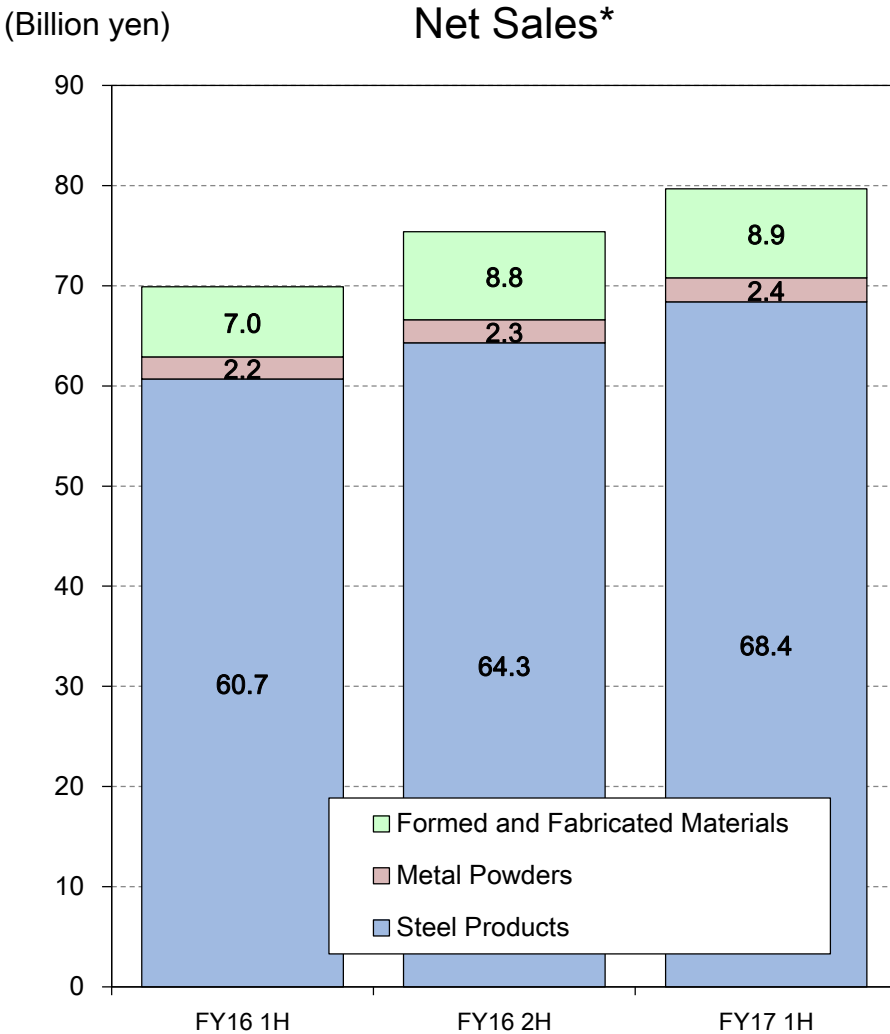
(Unit : Billion yen,%)

	FY17 1st Half (A)			FY16 1st Half (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS	Net Sales	Operating Income	ROS	Net Sales	Operating Income	ROS
Steel Products*	68.4	5.5	8.0	60.7	4.6	7.6	+7.7	+0.9	+0.4
Metal Powders*	2.4	0.5	21.6	2.2	0.4	17.3	+0.2	+0.1	+4.3
Formed and Fabricated Materials	8.9	0.5	5.5	7.0	0.2	3.2	+1.9	+0.3	+2.3
Sub-total	79.7	6.5	8.1	69.9	5.2	7.5	+9.8	+1.3	+0.6
Other	0.7	0.0	0.2	0.8	0.0	2.4	-0.0	-0.0	-2.2
Adjustments	-4.4	0.1	—	-3.9	-0.0	—	-0.5	+0.2	—
Consolidated Total	76.1	6.6	8.7	66.7	5.2	7.8	+9.3	+1.4	+0.9

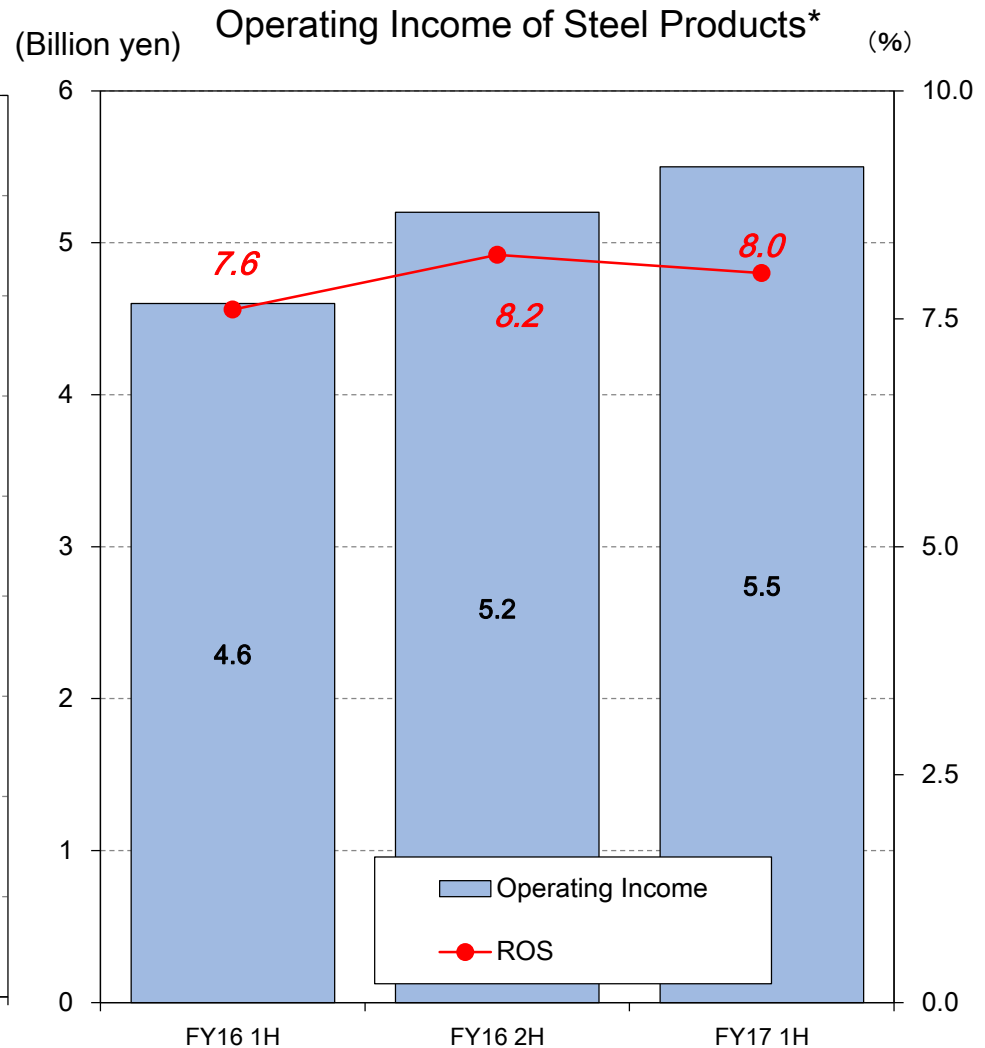
* As a result of the reorganization as of April 1, 2017, the special alloys business, which had been classified under the “Special Materials” business segment, is reclassified under the “Steel Products” business segment and consequently the “Special Materials” business segment is renamed as the “Metal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

Segment information for FY16 1st Half has been reclassified by revised segments.

Changes in Business Segment(half-yearly)



*Including Intersegment transactions
 Reclassified by revised segments

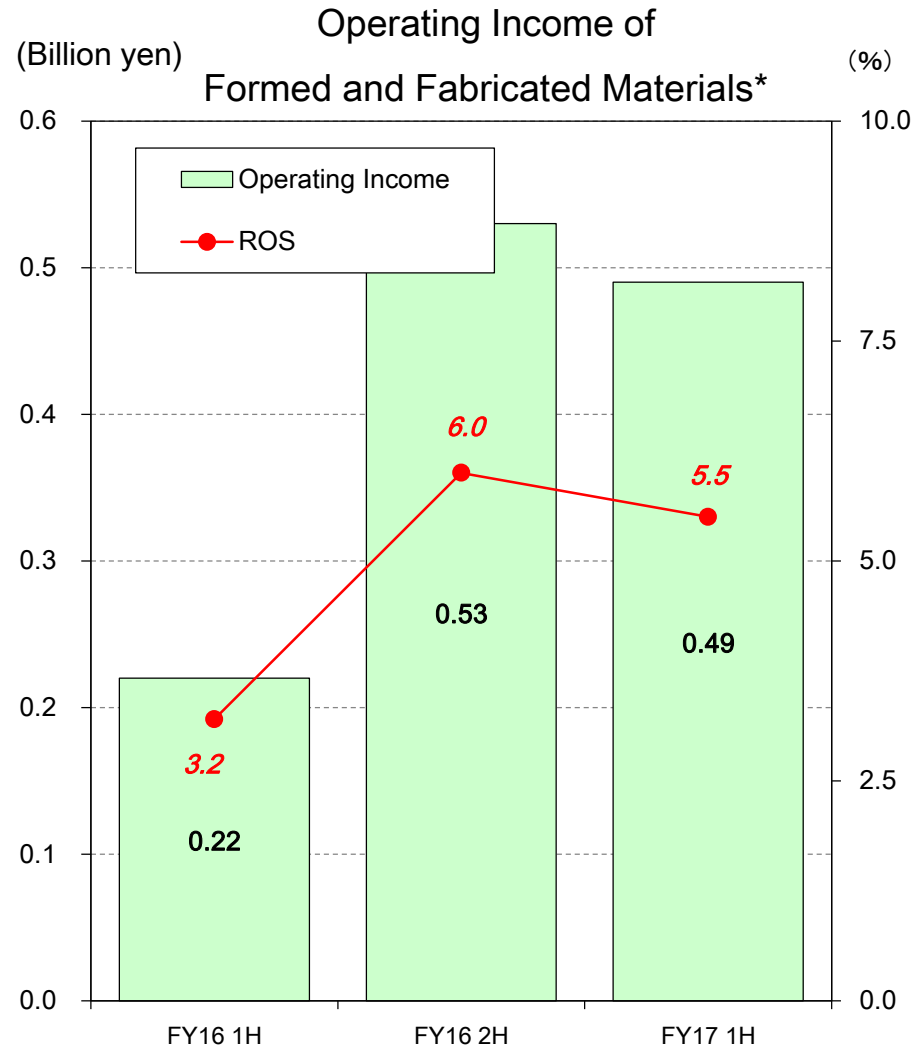


*Including Intersegment transactions
 Reclassified by revised segments

Changes in Business Segment(half-yearly)

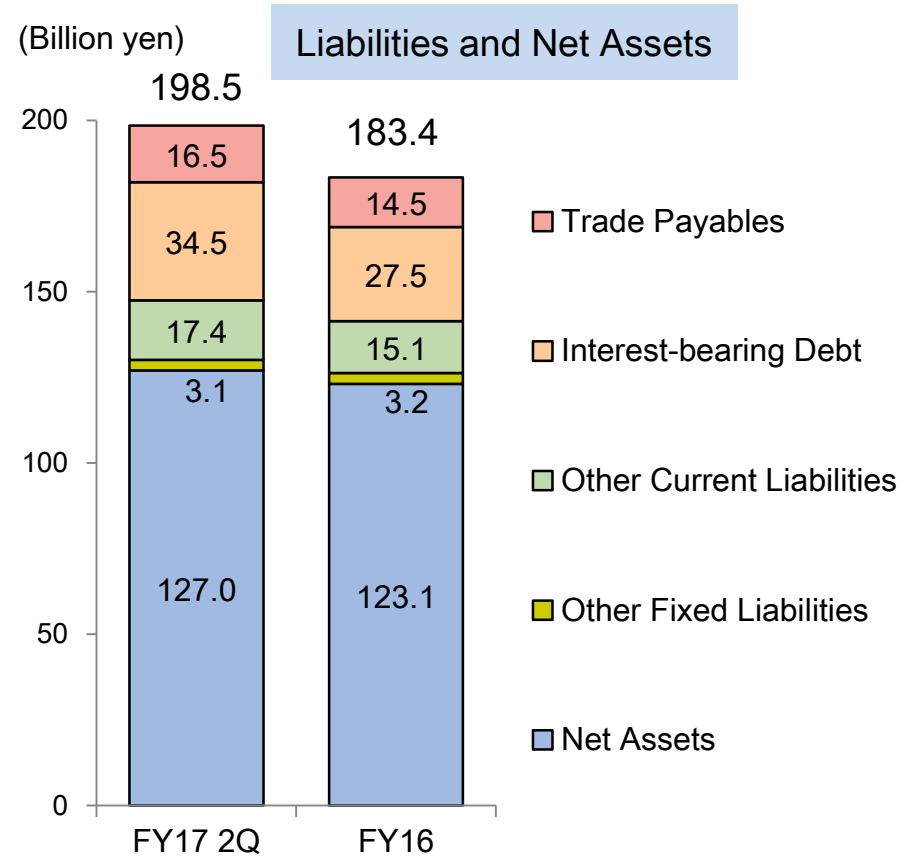
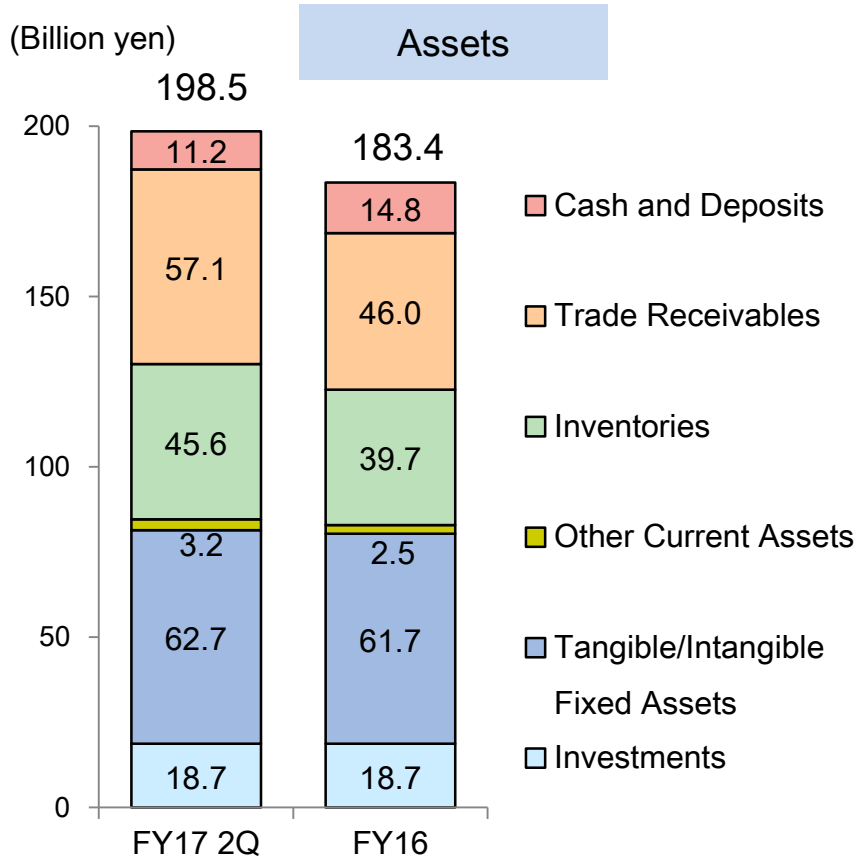


*Including Intersegment transactions
Reclassified by revised segments



*Including Intersegment transactions

Balance Sheets



Major changes in Assets +15.1 billion yen

Cash and Deposits	-3.6
Trade Receivables	+11.1
Inventories	+5.8

Major changes in Liabilities and Net Assets +15.1 billion yen

Interest-bearing Debt	+7.0
Net Assets	+3.9

Statements of Cash Flows

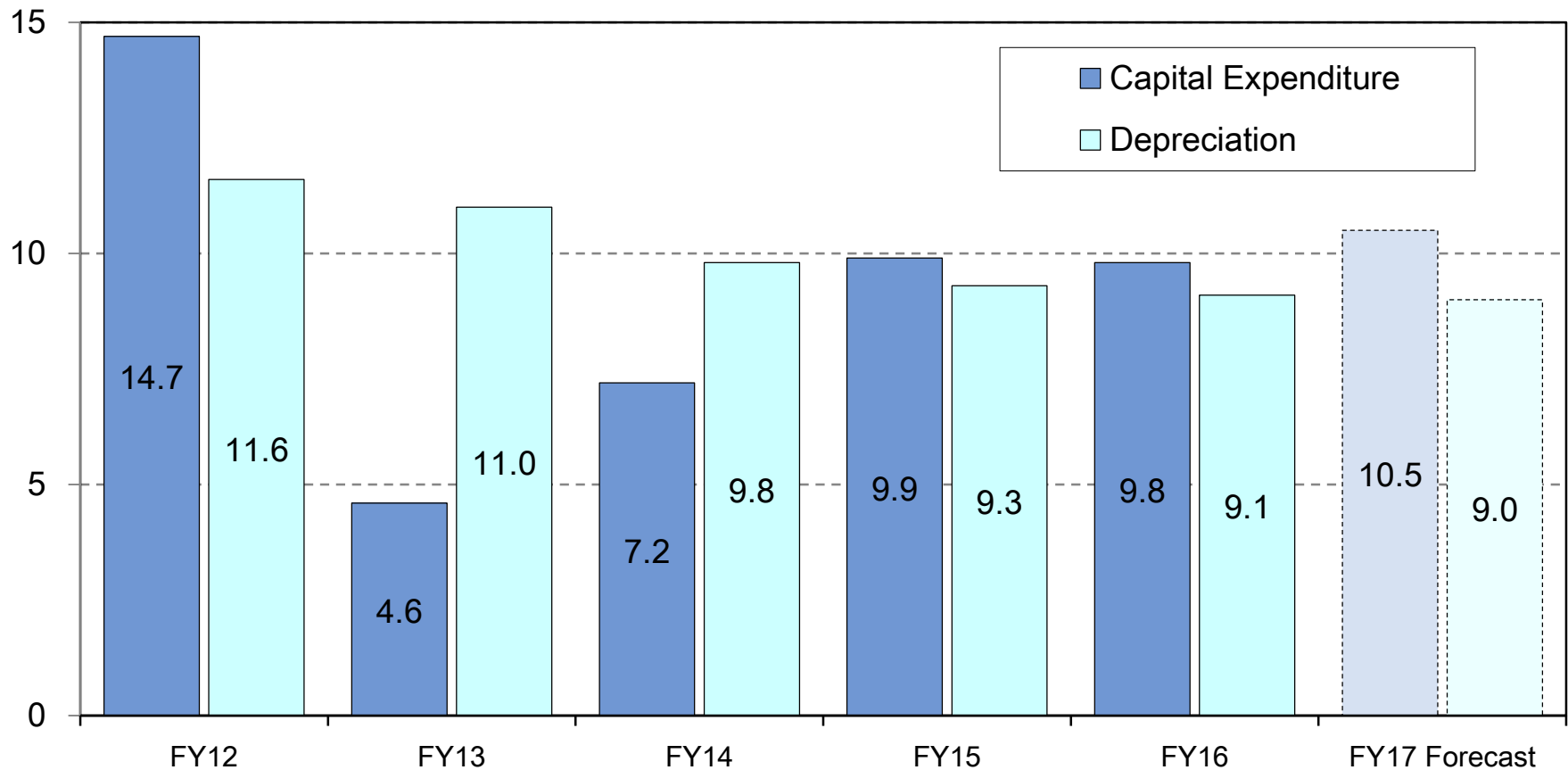
(Unit : Billion yen)

	FY16 1H	FY16 2H	FY17 1H
Cash flows from operating activities (A)	8.4	6.7	* -5.6
Net income before income taxes	4.6	6.8	6.3
Depreciation	4.4	4.7	4.3
Income taxes	-1.9	-2.0	-1.8
Working capital, etc.	1.3	-2.8	-14.3
Cash flows from investing activities (B)	-6.4	-4.8	-4.4
Capital expenditure	-5.9	-4.7	-4.3
Others	-0.5	-0.0	-0.1
Free Cash Flows (A+B)	2.0	2.0	-10.0
Cash flows from financing activities (C)	-2.4	-8.3	6.2
Increase/Decrease in borrowings/commercial papers	-1.5	-7.5	7.0
Purchases or Sales of treasury stock	-0.0	-0.0	-0.0
Cash dividends	-1.0	-0.8	-1.2
Others	-	-	0.4
Translation Difference (D)	-0.8	0.5	0.2
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)	-1.3	-5.8	-3.6

* Including the effect of bank holiday at the end of the 1st half of FY17(-3.3billion yen)

Capital Expenditure and Depreciation

(Billion yen)



Business Forecast for FY17

(Unit : Billion yen,%)

	FY17 1st Half Result (A)	FY17 2nd Half Forecast (B)	FY17 Forecast *1 (C)=(A)+(B)		FY16 Result (D)		Change (D) → (C)	
	Amount	Amount	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Sales	76.1	73.9	150.0	100.0	138.7	100.0	+11.3	+8.2
Operating Income	6.6	5.2	11.8	7.9	11.7	8.4	+0.1	+1.0
Ordinary Income	6.5	5.3	11.8	7.9	11.7	8.5	+0.1	+0.5
Net Income*2	4.3	3.5	7.8	5.2	7.8	5.6	+0.0	+0.2
<i>Sales Volume</i> (Thousands of ton per month)	88	88	88.0		84.4		+3.6	

*1 The FY17 forecast announced on July 28, 2017 remains the same.

*2 Profit attributable to owners of parent

Dividend

	FY17 1 st Half Result* ¹	FY17 Forecast	(Reference) FY16 Result
Sales (billion yen)	76.1	150.0	138.7
Ordinary Income (billion yen)	6.5	11.8	11.7
Net Income* ² (billion yen)	4.3	7.8	7.8
Net income Per Share* ³ (yen)	26.44	242.10	48.29
Dividend Per Share* ³ (yen)	6.7	2 nd quarter end 6.7 Year-end 29.0	12.5 (2 nd quarter end 5.0 Year-end 7.5)
Payout Ratio (%)	25.3	25.8	25.9

*1 Scheduled date to pay dividends : November 30, 2017

*2 Profit attributable to owners of parent

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

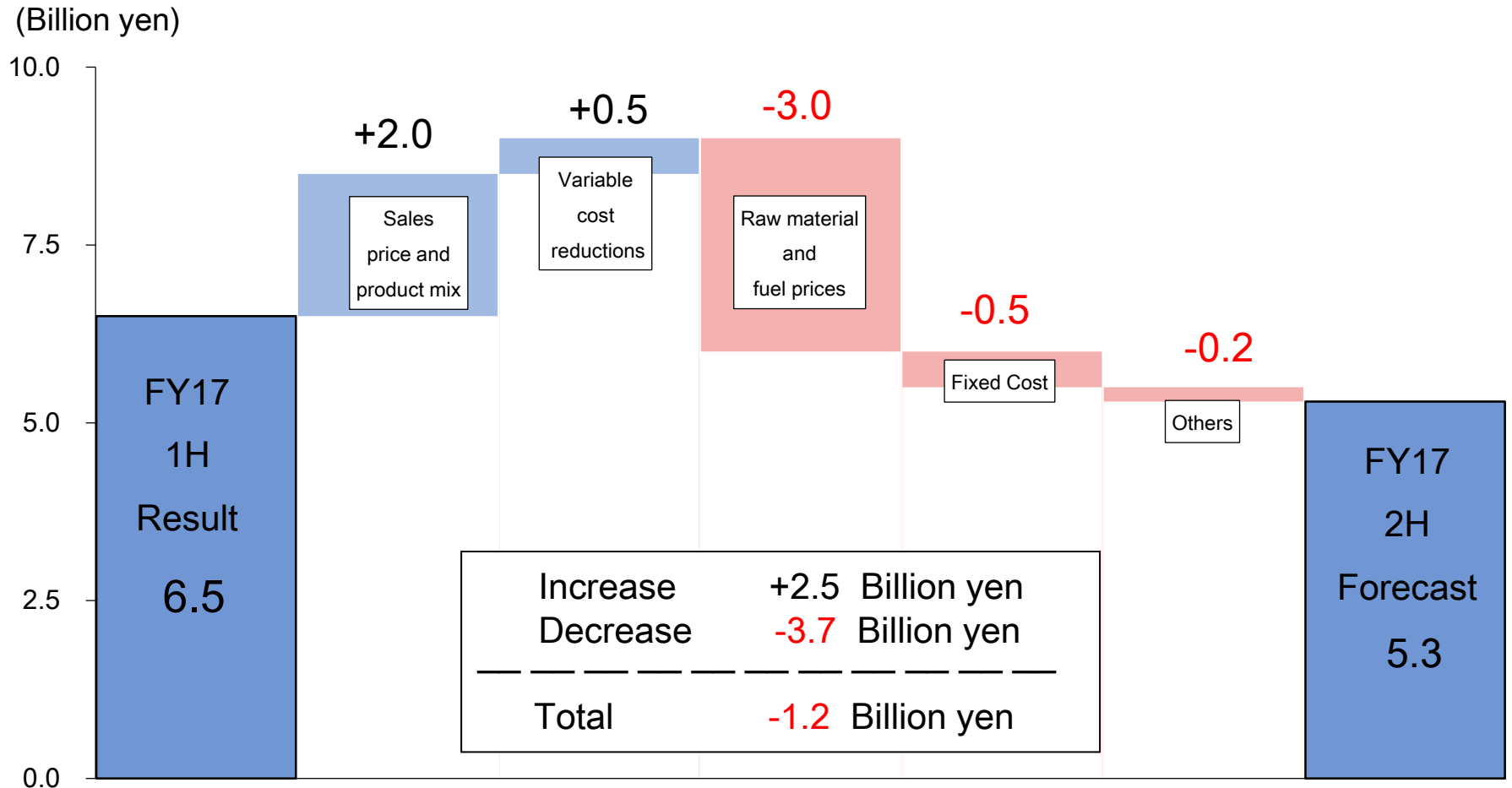
It is factored into the amount shown on FY17 year-end. After taking the reverse stock split into account, FY 17 of annual dividend forecast is 62.5 yen per share. If it is not taken into account, FY 17 of annual dividend forecast is 12.5 yen per share.

< Dividend Policy >

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

Ordinary Income Variance Analysis

FY17 1st Half (6.5) → FY17 2nd Half (5.3) (-1.2 Billion yen)



Changes in Financial Indicators

		FY12	FY13	FY14	FY15	FY16	FY17 1H	The 10th Mid-term Business Plan
ROE (Net Income to Net Assets) *1	%	0.5	4.1	6.1	6.6	6.6	6.8	7.0
ROS (Ordinary Income to Net Sales)	%	1.2	4.2	5.7	7.7	8.5	8.6	9.0
ROA (Ordinary Income to Total Assets) *1	%	0.8	3.4	4.8	6.0	6.5	6.7	7.0
Equity Ratio	%	48.6	50.2	55.8	62.4	66.7	63.3	
Interest-bearing Debt (Net)	Billion yen	51.6	47.8	33.2	14.3	12.7	23.3	
Net D/E Ratio *2	Times	0.53	0.46	0.29	0.13	0.10	0.18	0.20
Net Income Per Share	¥/share	3.2	25.2	40.6	46.0	48.3	26.4	
Net Assets Per Share	¥/share	599	633	700	697	759	781	
Number of Employees at End of Period	Persons	2,829	2,775	2,706	2,625	2,598	2,678	

*1 ROE and ROA are annualized.

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

Other Topics

- (1) Receipt of the 40th Japan Institute of Metals and Materials Technical Development Award
- We received the Japan Institute of Metals and Materials Technical Development Award for the development of “ECOMAX4”, Ni- and Mo-free high-strength case hardening steel.
 - The development which realizes high strength without using rare metals as nickel and molybdenum and contributes to reduction of heat treatment deformation etc. was highly appreciated.
 - This award was presented at the Institute annual fall meeting 2017.
 - Features of ECOMAX 4
 - 1) Suppression of grain coarsening during carburizing
 - 2) Reduction of heat treatment deformation
 - 3) Improvement of pitting life



Note: 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.

Other Topics

- **No.2 Metal Powder Plant**
 - A completion ceremony was held at this new plant and operations began on August 9, 2017.
 - To meet the growing market for 3D printing, etc. and the need for high-reliability and high-purity metal powder in the electronic component field.
 - Highly clean plant for new market.



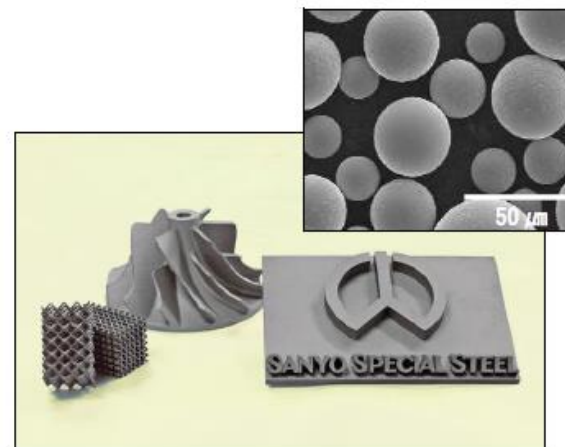
At the completion ceremony

【Outline】

- **Location** : In headquarters plant
(Next to No.1 Metal Powder Plant)
- **Investment Cost** : About 2,000 million yen
- **Main Facilities** : Gas Atomizer 2units
Disk Atomizer 1unit



No.2 metal powder plant

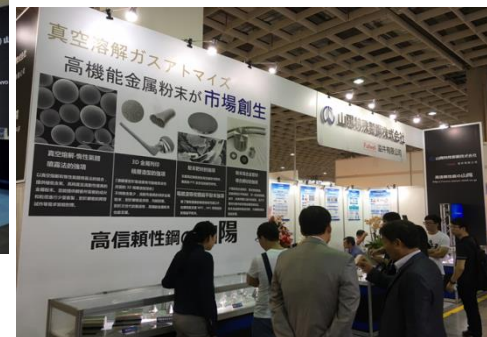
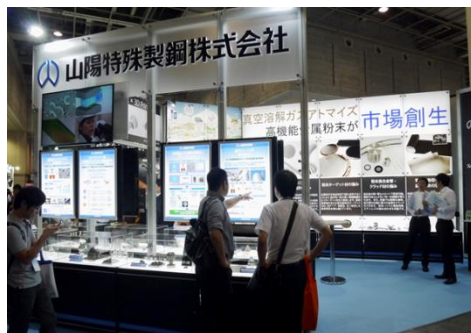


- Top : High sphericity metal powders
(electron microscope image)
- Lower : Examples of moldings by 3D printing

Other topics

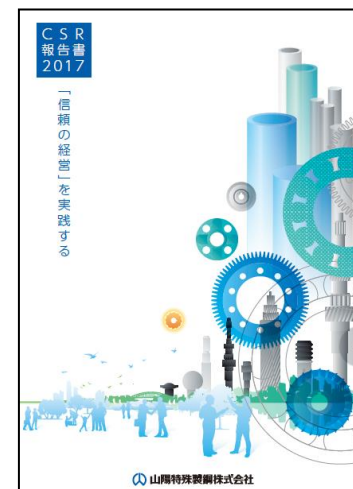
(3) Highly functional Metal Expo(Japan) and International 3D Printing Show 2017(Taiwan)

- In September 2017, we exhibited highly functional gas-atomized metal powders, powder metallurgy products, examples of moldings by 3D printing etc.
- Our exhibition attracted much interest to visitors.



(4) CSR Report 2017

- We issued “CSR Report 2017” in September 2017.
- We have annually issued the reports since 2009.
- Disclosed on our website.





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)