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# Overview of Business Results

for the 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2018  
(April 2017 → June 2017)



**SANYO SPECIAL STEEL**



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

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# Outline of Statements of Income

(Unit : Billion yen, %)

|                             | FY17 1Q<br>(A) |                   | FY16 1Q<br>(B) |                   | Change<br>(B) → (A) |       |
|-----------------------------|----------------|-------------------|----------------|-------------------|---------------------|-------|
|                             | Amount         | Ratio             | Amount         | Ratio             | Amount              | Ratio |
| Net Sales                   | 38.3           | 100.0             | 33.9           | 100.0             | 4.4                 | 12.9  |
| Operating Income            | 3.6            | 9.3               | 2.5            | 7.4               | 1.1                 | 42.9  |
| Ordinary Income             | 3.5            | <i>ROS</i><br>9.1 | 2.1            | <i>ROS</i><br>6.2 | 1.4                 | 64.6  |
| Net Income <sup>*1</sup>    | 2.3            | 6.1               | 1.6            | 4.8               | 0.7                 | 43.3  |
| <i>ROE(%)</i> <sup>*2</sup> | 7.3            |                   | 5.7            |                   | +1.6                |       |

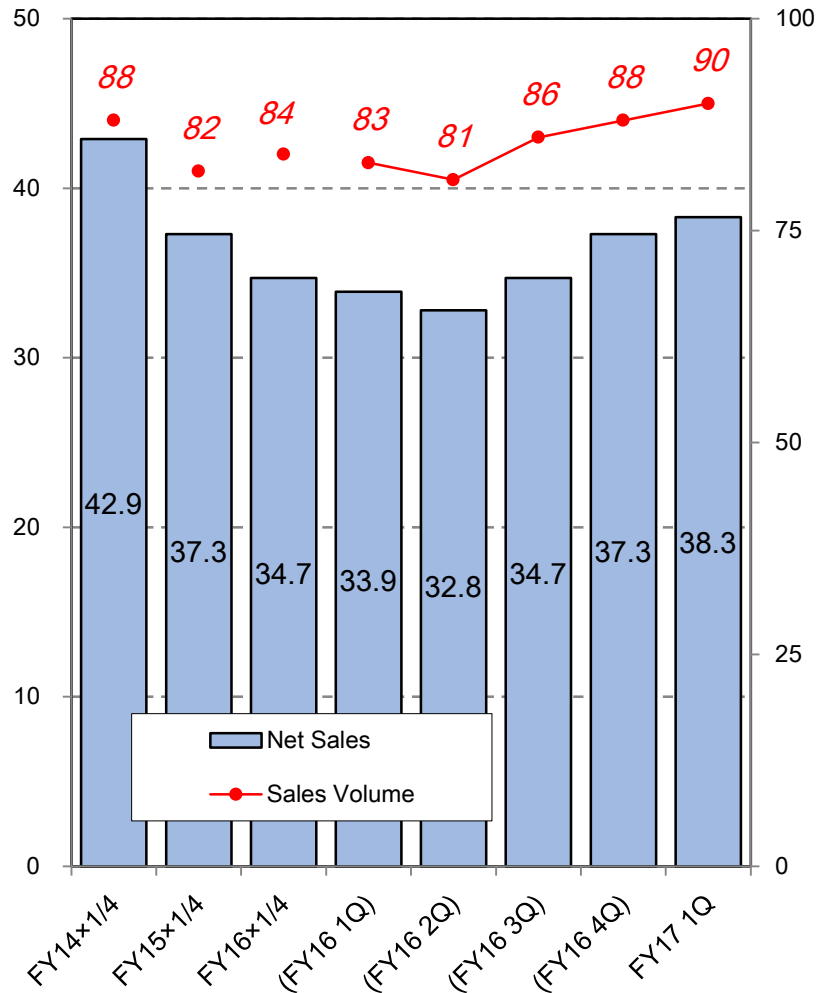
\*1 Profit attributable to owners of parent.

\*2 ROE is annualized

# Net Sales and Ordinary Income (quarterly)

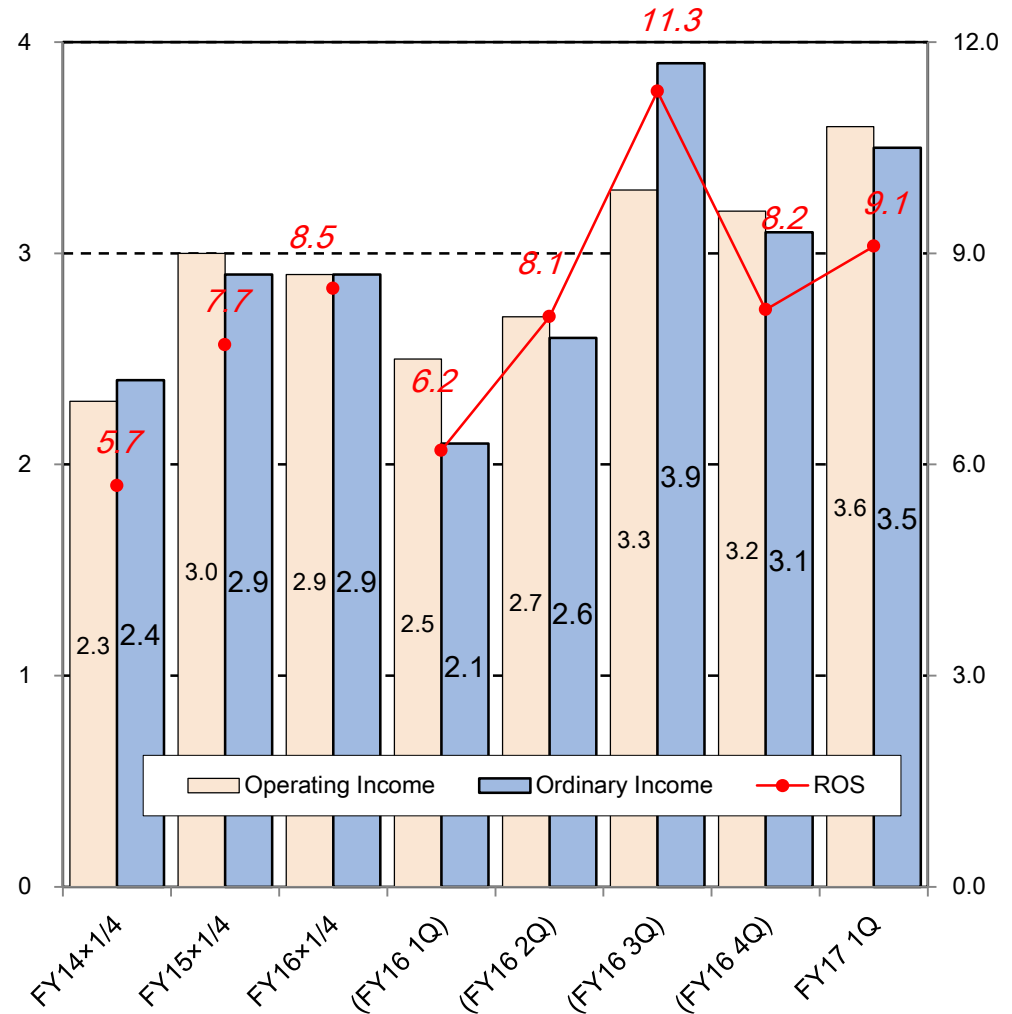
Net Sales  
(Billion yen)

Sales Volume  
(Thousands of ton per month)



Operating Income  
Ordinary Income  
(Billion yen)

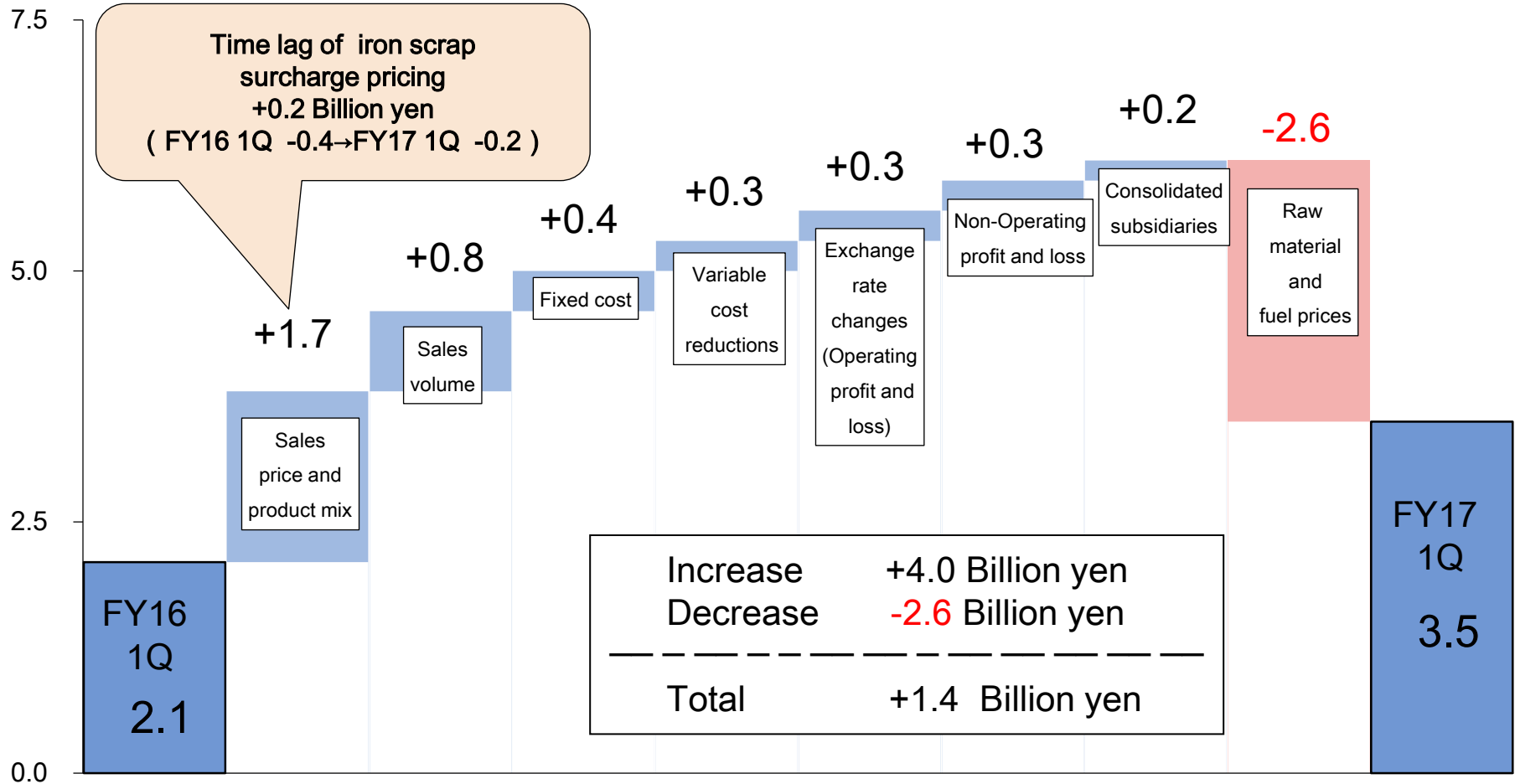
ROS  
(%)



# Ordinary Income Variance Analysis

FY16 1Q(2.1) → FY17 1Q (3.5) (+1.4 Billion yen)

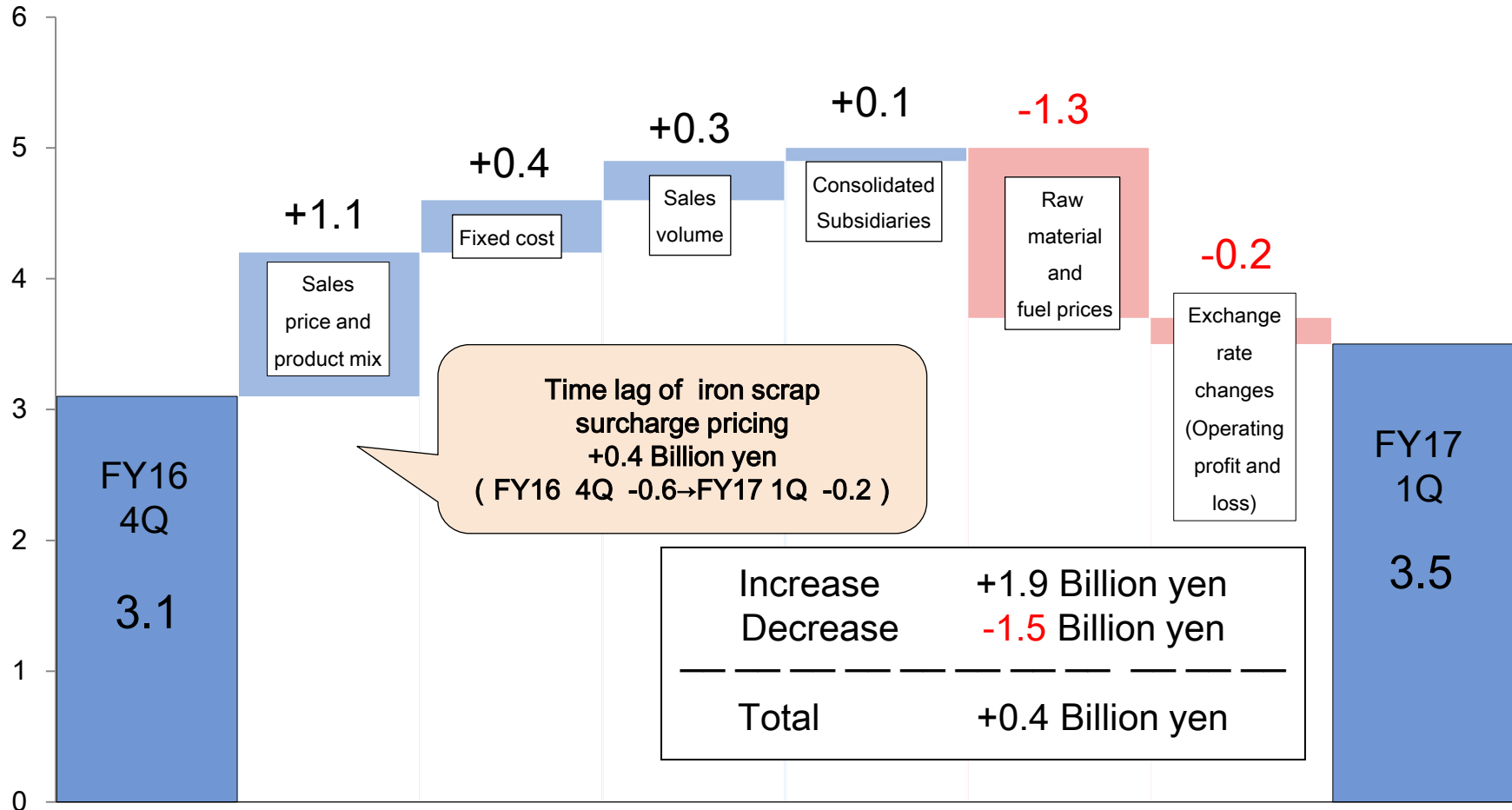
(Billion yen)



# Ordinary Income Variance Analysis

FY16 4Q(3.1) → FY17 1Q(3.5) (+0.4 Billion yen)

(Billion yen)



# Earnings by Business Segment

(Unit : Billion yen,%)

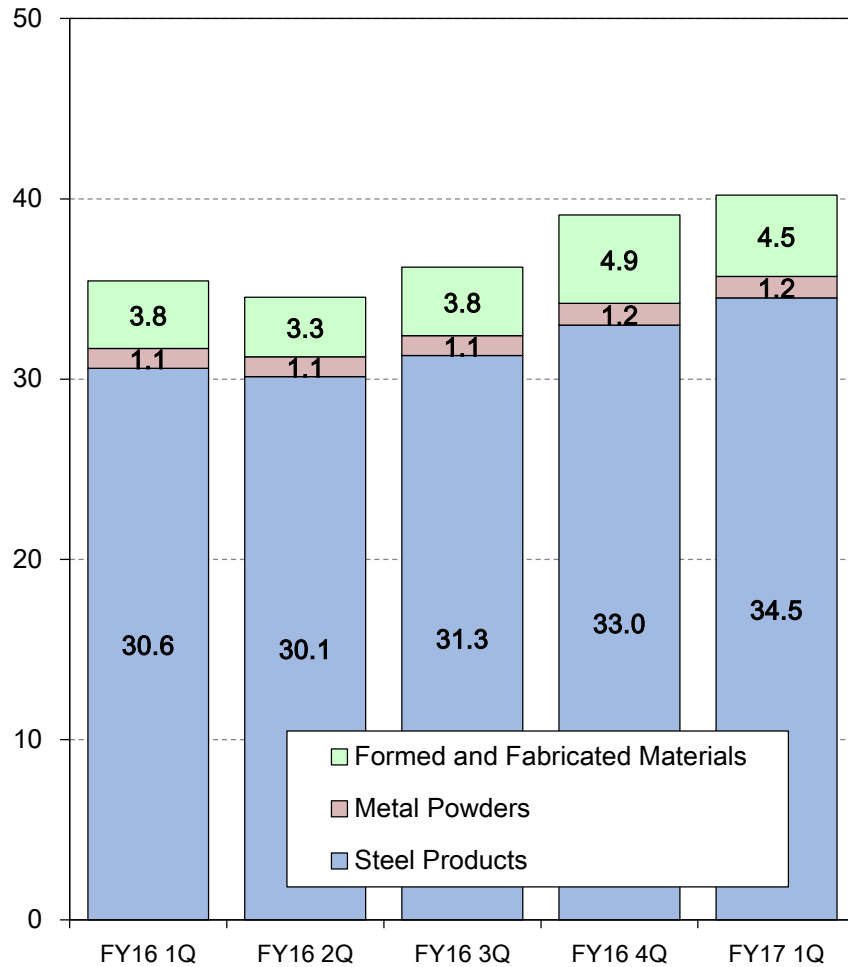
|                                 | FY17 1Q (A) |                  |      | FY16 1Q (B) |                  |      | Change (B) → (A) |                  |      |
|---------------------------------|-------------|------------------|------|-------------|------------------|------|------------------|------------------|------|
|                                 | Net Sales   | Operating Income | ROS  | Net Sales   | Operating Income | ROS  | Net Sales        | Operating Income | ROS  |
| Steel Products*                 | 34.5        | 2.9              | 8.4  | 30.6        | 2.0              | 6.5  | 3.9              | 0.9              | +1.9 |
| Metal Powders*                  | 1.2         | 0.3              | 22.8 | 1.1         | 0.2              | 19.6 | 0.1              | 0.1              | +3.2 |
| Formed and Fabricated Materials | 4.5         | 0.4              | 9.9  | 3.8         | 0.2              | 5.2  | 0.7              | 0.2              | +4.7 |
| Sub-total                       | 40.2        | 3.6              | 9.0  | 35.5        | 2.4              | 6.8  | 4.7              | 1.2              | +2.2 |
| Other                           | 0.3         | -0.0             | -2.9 | 0.3         | -0.0             | -0.5 | -0.0             | -0.0             | -2.4 |
| Adjustments                     | -2.2        | -0.0             | —    | -1.9        | 0.1              | —    | -0.3             | -0.1             | —    |
| Consolidated Total              | 38.3        | 3.6              | 9.3  | 33.9        | 2.5              | 7.4  | 4.4              | 1.1              | +1.9 |

\* 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 1Q. Segment information for FY16 1Q has been reclassified by revised segments.

# Changes in Business Segment(quarterly)

(Billion yen)

Net Sales\*

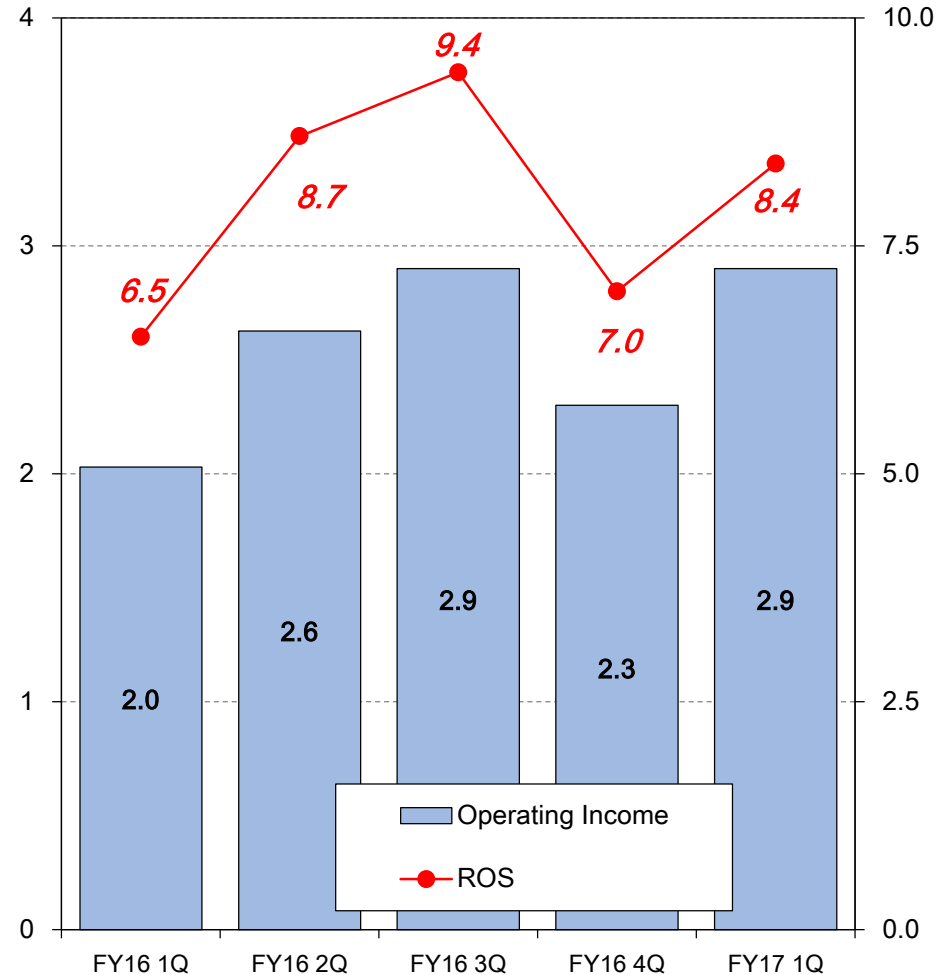


\*Including Intersegment transactions.  
Reclassified by revised segments.

(Billion yen)

Operating Income of Steel Products\*

(%)

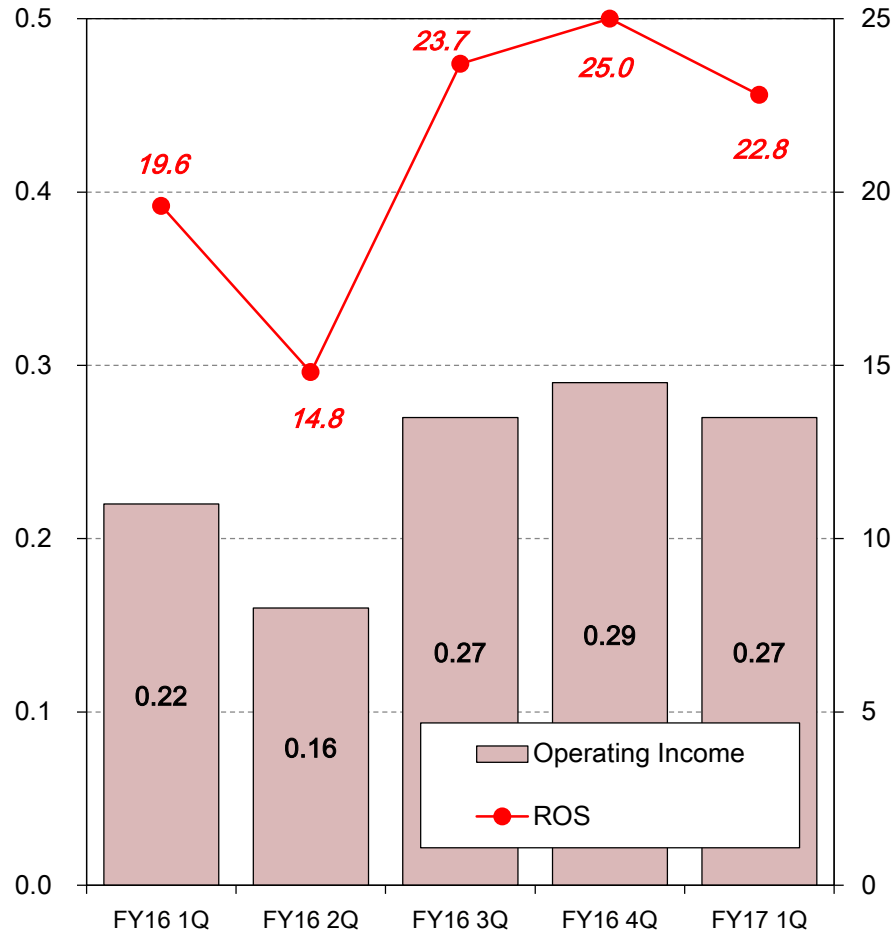


\*Including Intersegment transactions.  
Reclassified by revised segments.



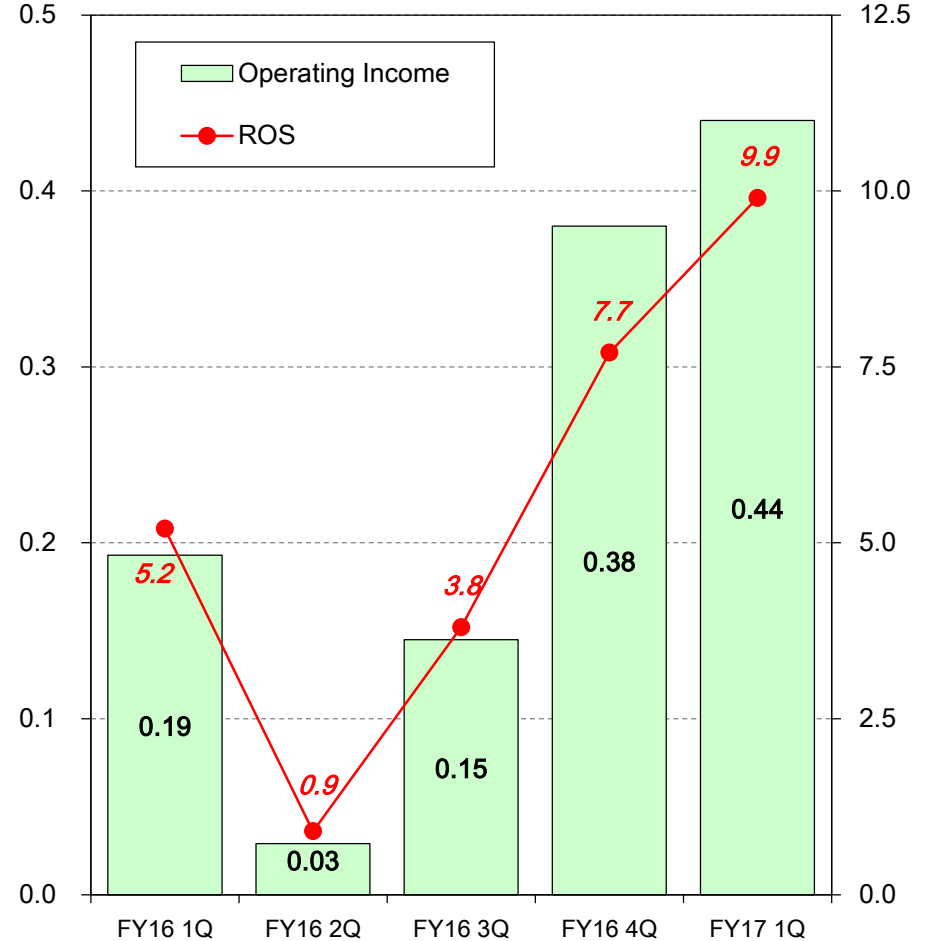
# Changes in Business Segment(quarterly)

(Billion yen) Operating Income of Metal Powders\* (%)



\*Including Intersegment transactions.  
Reclassified by revised segments.

(Billion yen) Operating Income of Formed and Fabricated Materials\* (%)

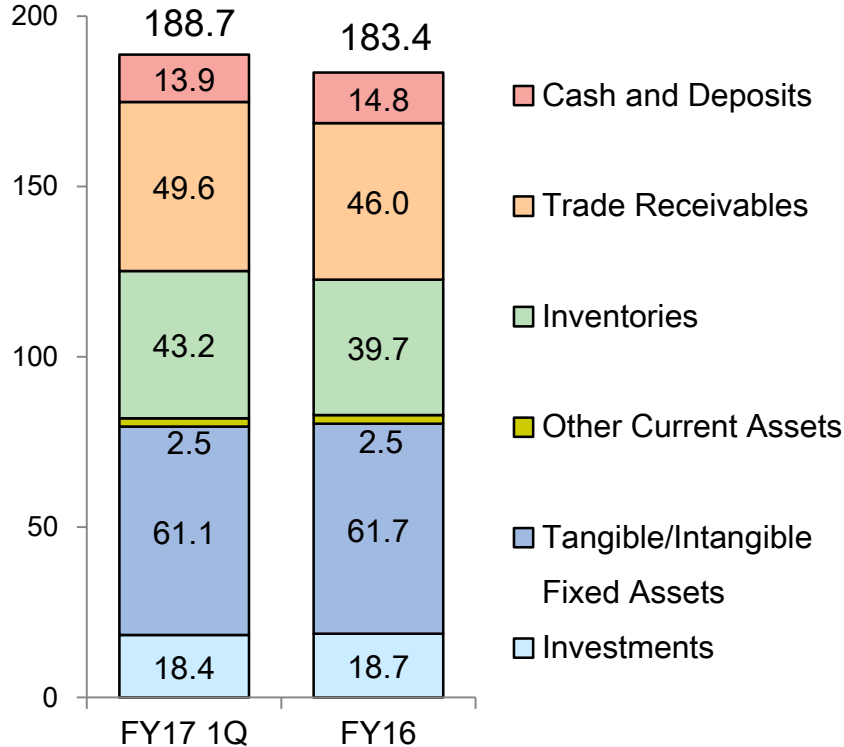


\*Including Intersegment transactions.

# Balance Sheets

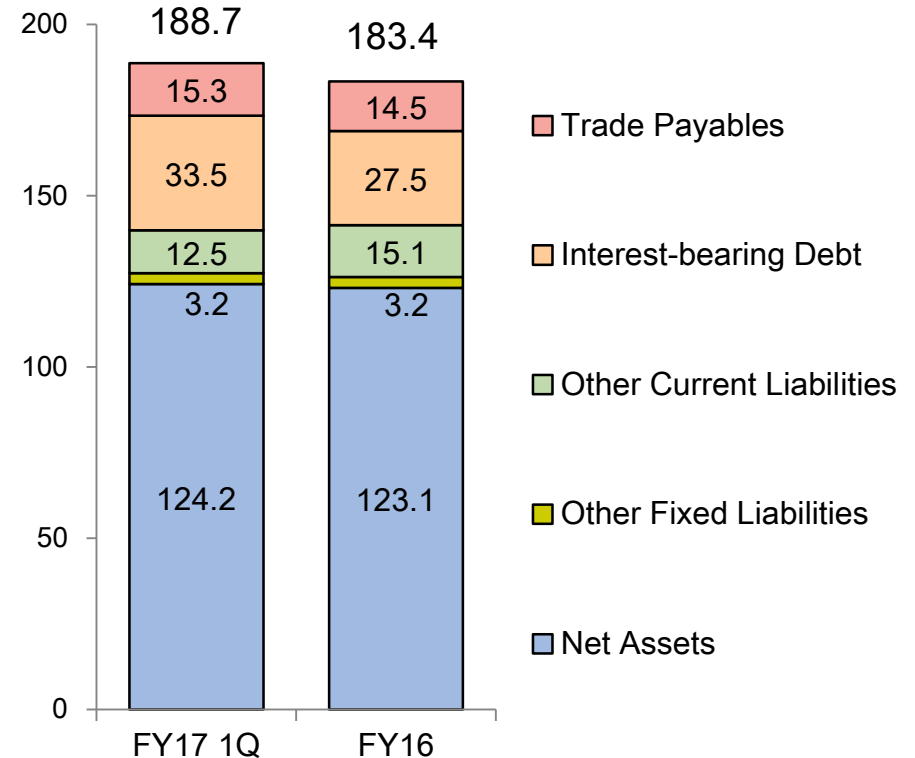
## Assets

(Billion yen)



## Liabilities and Net Assets

(Billion yen)



Major changes in Assets +5.2 billion yen

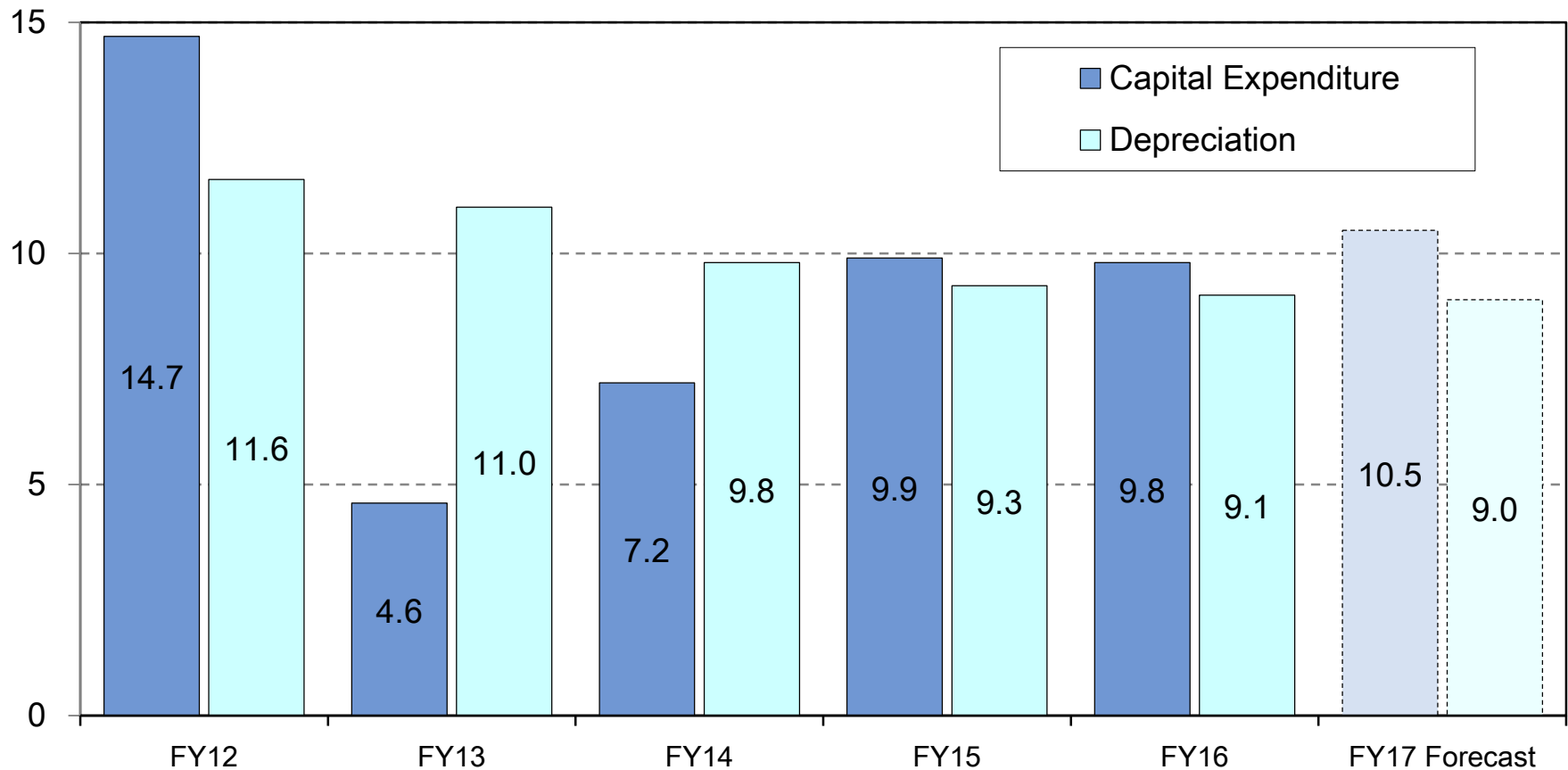
|                   |      |
|-------------------|------|
| Trade Receivables | +3.6 |
| Inventories       | +3.4 |

Major changes in Liabilities and Net Assets +5.2 billion yen

|                           |      |
|---------------------------|------|
| Other Current Liabilities | -2.6 |
| Interest-bearing Debt     | +6.0 |
| Net Assets                | +1.1 |

# Capital Expenditure and Depreciation

(Billion yen)



# Revision of Business and Dividend Forecast for FY17

(Unit : Billion yen,%)

|   | Revised forecast (A) |                  |       | Previous forecast (B) |                  |       | Change (B) → (A) |                  |      |
|---|----------------------|------------------|-------|-----------------------|------------------|-------|------------------|------------------|------|
|   | FY17<br>1st Half     | FY17<br>2nd Half | FY17  | FY17<br>1st Half      | FY17<br>2nd Half | FY17  | FY17<br>1st Half | FY17<br>2nd Half | FY17 |
| <i>Sales Volume</i><br>(Thousands of ton per month) | 90                   | 88               | 89.2  | 87                    | 86               | 86.5  | +3               | +2               | +2.7 |
| Net Sales   | 75.0                 | 75.0             | 150.0 | 75.0                  | 75.0             | 150.0 | —                | —                | —    |
| Operating Income                                    | 6.2                  | 5.6              | 11.8  | 5.5                   | 6.3              | 11.8  | +0.7             | -0.7             | —    |
| Ordinary Income                                     | 6.2                  | 5.6              | 11.8  | 5.5                   | 6.3              | 11.8  | +0.7             | -0.7             | —    |
| Net Income*1  | 4.1                  | 3.7              | 7.8   | 3.6                   | 4.2              | 7.8   | +0.5             | -0.5             | —    |
| <i>Dividend</i> *2<br>(yen per share)               | 6.5                  | 30.0             | —     | 6.0                   | 32.5             | —     | +0.5             | -2.5             | —    |
| <i>Dividend Payout Ratio</i> (%)                    | 25.5                 | 26.1             | 25.8  | 26.9                  | 24.9             | 25.8  | -1.3             | +1.2             | —    |

\*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 2nd half. 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.

This is at the same level as FY16 of annual dividend.

<Dividend policy> Dividend payout ratio target (consolidated basis) : 25 ~ 30%

# Business Forecast for FY17 (Revised as of July 28, 2017)

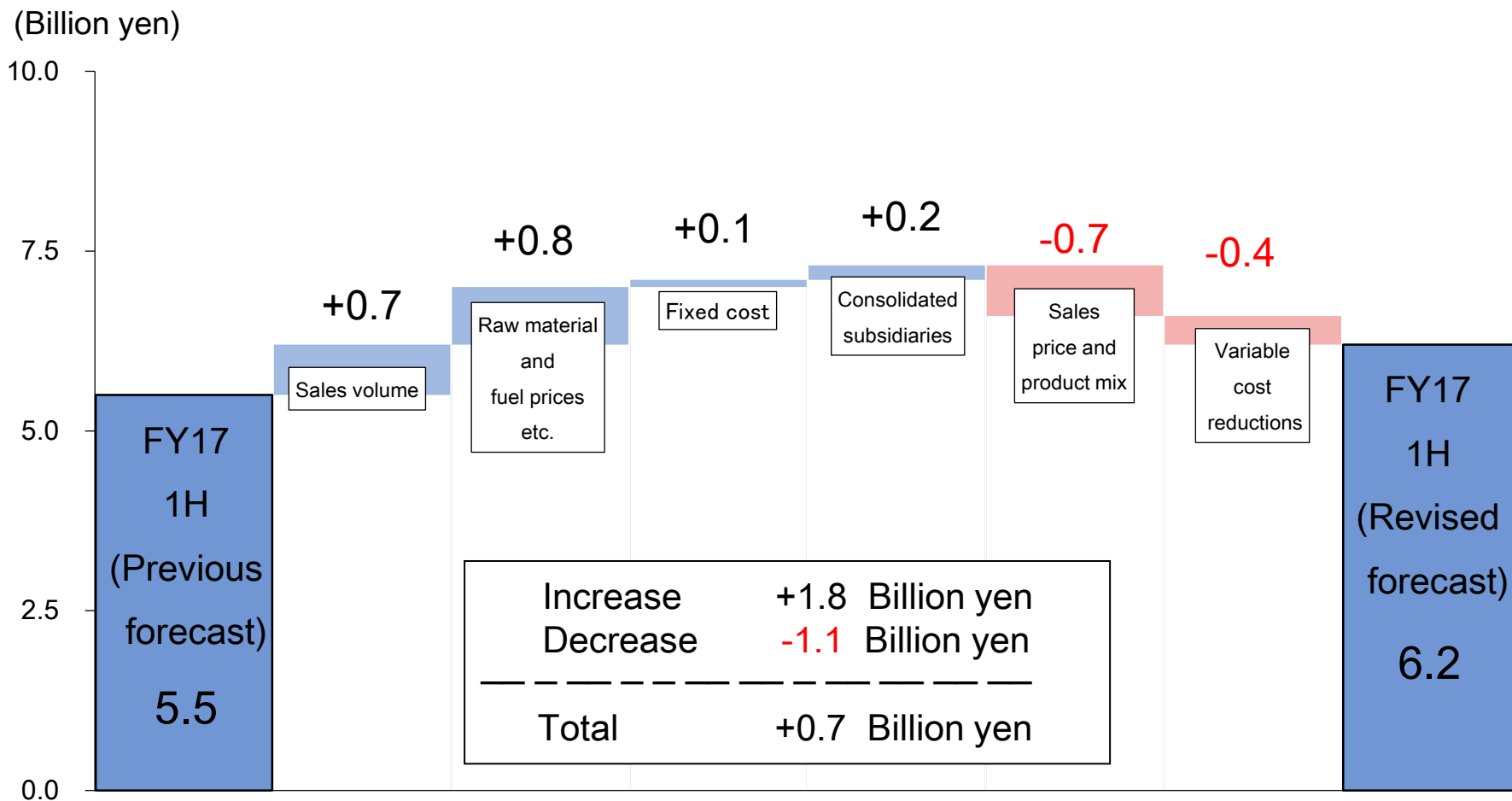
(Unit : Billion yen,%)

|  | FY17<br>1 <sup>st</sup> Half<br>(A) | FY17<br>2 <sup>nd</sup> Half<br>(B) | FY17<br>(C)=(A)+(B) |            | FY16<br>(D) |            | Change<br>(D) → (C) |       |
|--|-------------------------------------|-------------------------------------|---------------------|------------|-------------|------------|---------------------|-------|
|  | Amount                              | Amount                              | Amount              | Ratio      | Amount      | Ratio      | Amount              | Ratio |
| <i>Sales Volume</i><br><i>(Thousands of ton per month)</i> | 90                                  | 88                                  | 89.2                |            | 84.4        |            | 4.8                 |       |
| Net Sales  | 75.0                                | 75.0                                | 150.0               | 100.0      | 138.7       | 100.0      | 11.3                | 8.2   |
| Operating Income   | 6.2                                 | 5.6                                 | 11.8                | 7.9        | 11.7        | 8.4        | 0.1                 | 1.0   |
| Ordinary Income  | 6.2                                 | 5.6                                 | 11.8                | ROS<br>7.9 | 11.7        | ROS<br>8.5 | 0.1                 | 0.5   |
| Net Income*1   | 4.1                                 | 3.7                                 | 7.8                 | 5.2        | 7.8         | 5.6        | 0.0                 | 0.2   |

\*1 Profit attributable to owners of parent

# Ordinary Income Variance Analysis

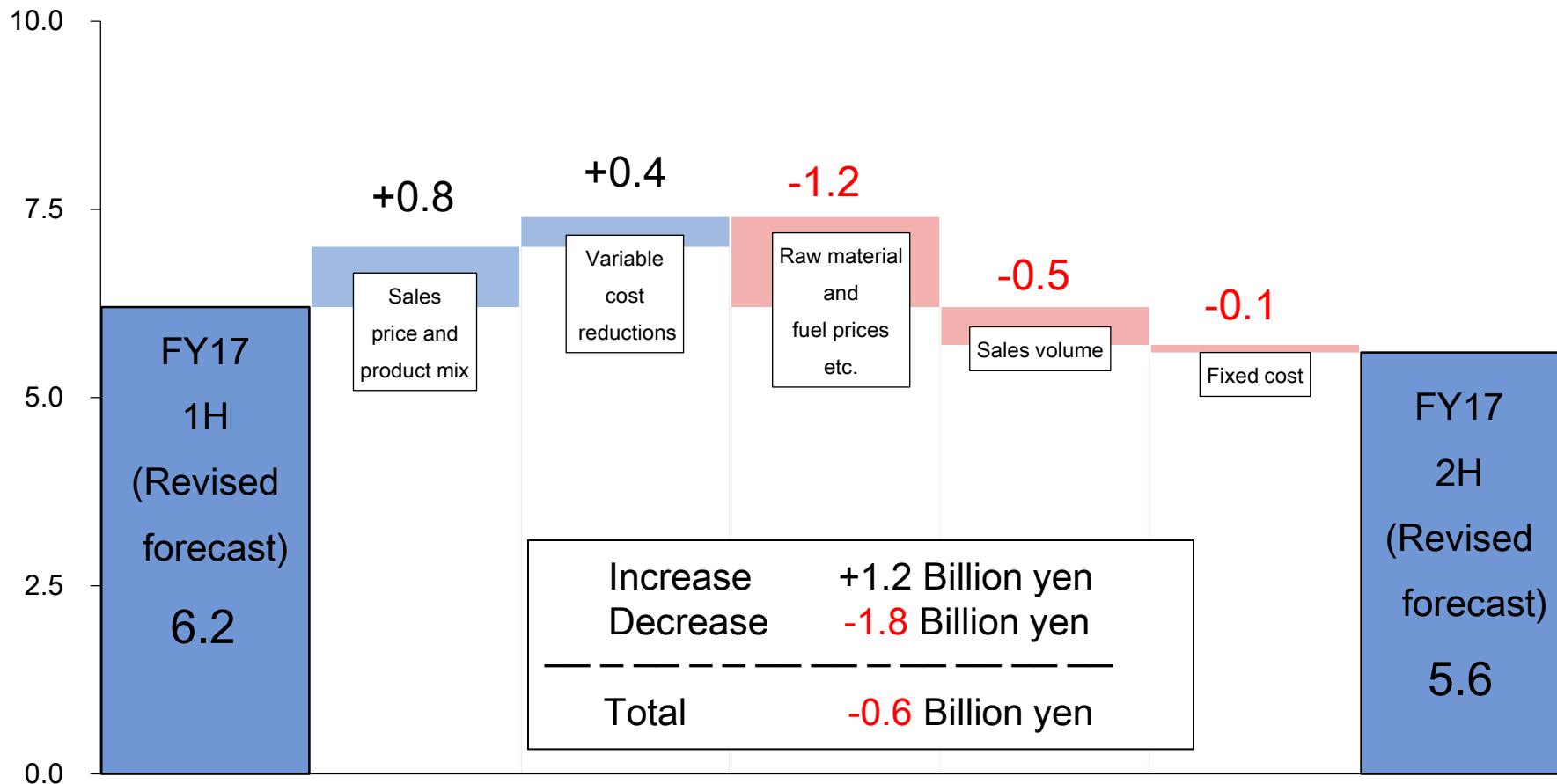
Previous forecast FY17 1<sup>st</sup> Half (5.5) → Revised forecast FY17 1<sup>st</sup> Half (6.2)(+0.7 Billion yen)



# Ordinary Income Variance Analysis

FY17 1<sup>st</sup> Half (6.2) → FY17 2<sup>nd</sup> Half (5.6) (-0.6 Billion yen)

(Billion yen)



# Changes in Financial Indicators

|  |             | FY12  | FY13  | FY14  | FY15  | FY16  | FY17<br>1Q | The 10th<br>Mid-term<br>Business<br>Plan |
|--|-------------|-------|-------|-------|-------|-------|------------|--|
| ROE (Net Income to Net Assets) *1        | %           | 0.5   | 4.1   | 6.1   | 6.6   | 6.6   | 7.3        | 7.0                                      |
| ROS (Ordinary Income to Net Sales)       | %           | 1.2   | 4.2   | 5.7   | 7.7   | 8.5   | 9.1        | 9.0                                      |
| ROA (Ordinary Income to Total Assets) *1 | %           | 0.8   | 3.4   | 4.8   | 6.0   | 6.5   | 7.4        | 7.0                                      |
| Equity Ratio                             | %           | 48.6  | 50.2  | 55.8  | 62.4  | 66.7  | 65.4       |  |
| Interest-bearing Debt (Net)              | Billion yen | 51.6  | 47.8  | 33.2  | 14.3  | 12.7  | 19.6       |  |
| Net D/E Ratio *2                         | Times       | 0.53  | 0.46  | 0.29  | 0.13  | 0.10  | 0.16       | 0.20                                     |
| Net Income Per Share                     | ¥/share     | 3.2   | 25.2  | 40.6  | 46.0  | 48.3  | 14.4       |  |
| Net Assets Per Share                     | ¥/share     | 599   | 633   | 700   | 697   | 759   | 766        |  |
| Number of Employees at End of Period     | Persons     | 2,829 | 2,775 | 2,706 | 2,625 | 2,598 | 2,680      |  |

\*1 ROE and ROA are annualized

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





# 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)