
Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2018
(April 2017 → December 2017)



 **SANYO SPECIAL STEEL**



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

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Outline of Statements of Income

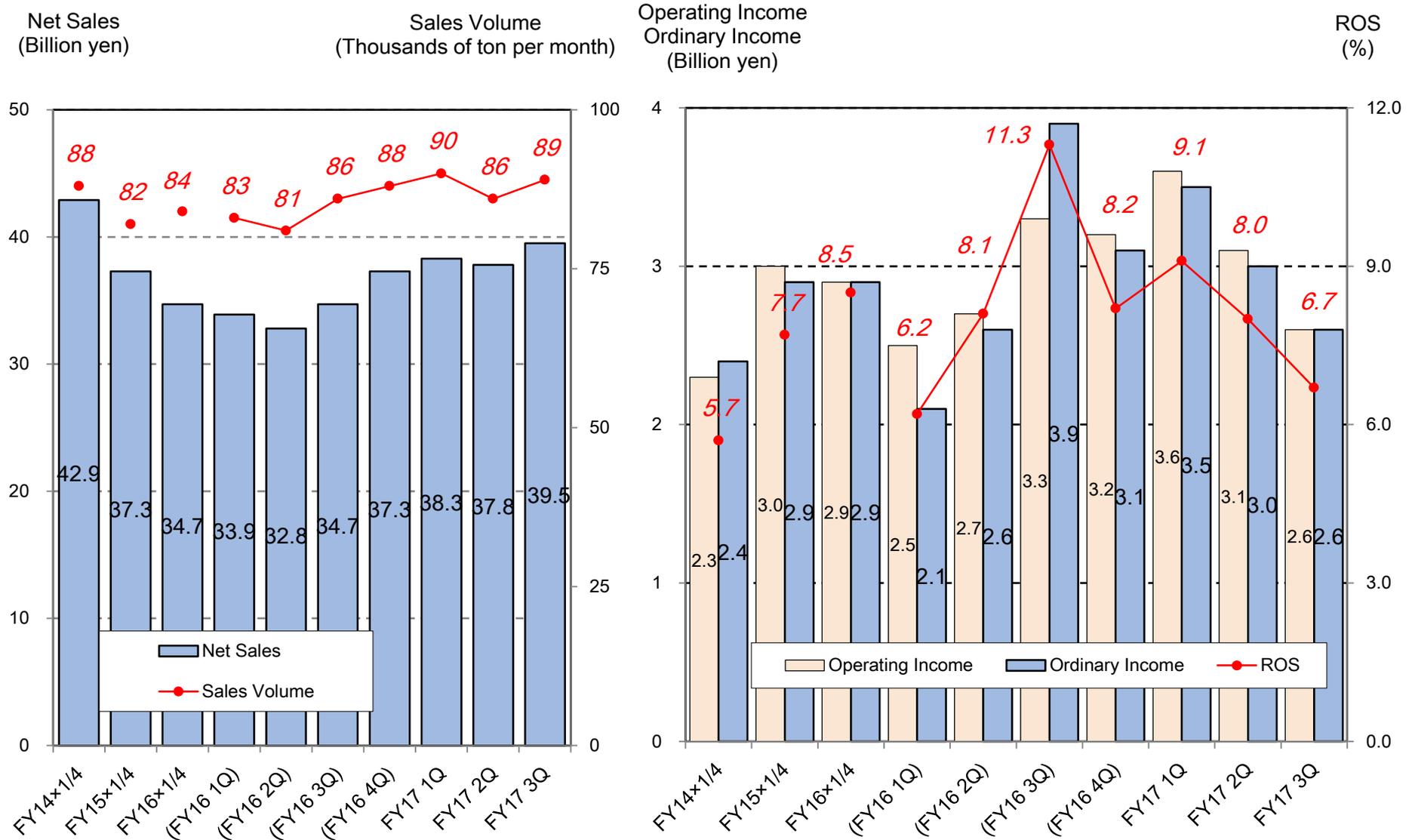
(Unit : Billion yen, %)

| | FY17 1~3Q (A) | | FY16 1~3Q (B) | | Change (B) → (A) | |
|-----------------------------|------------------|-------------------|------------------|-------------------|---------------------|--------------|
| | Amount | <i>Ratio</i> | Amount | <i>Ratio</i> | Amount | <i>Ratio</i> |
| Net Sales | 115.6 | 100.0 | 101.4 | 100.0 | +14.2 | +14.0 |
| Operating Income | 9.2 | 8.0 | 8.5 | 8.4 | +0.7 | +8.4 |
| Ordinary Income | 9.1 | <i>ROS</i> 7.9 | 8.7 | <i>ROS</i> 8.6 | +0.5 | +5.5 |
| Net Income ^{*1} | 6.0 | 5.2 | 5.8 | 5.7 | +0.3 | +4.4 |
| <i>ROE(%)</i> ^{*2} | 6.4 | | 6.7 | | -0.3 | |

*1 Profit attributable to owners of parent

*2 ROE is annualized.

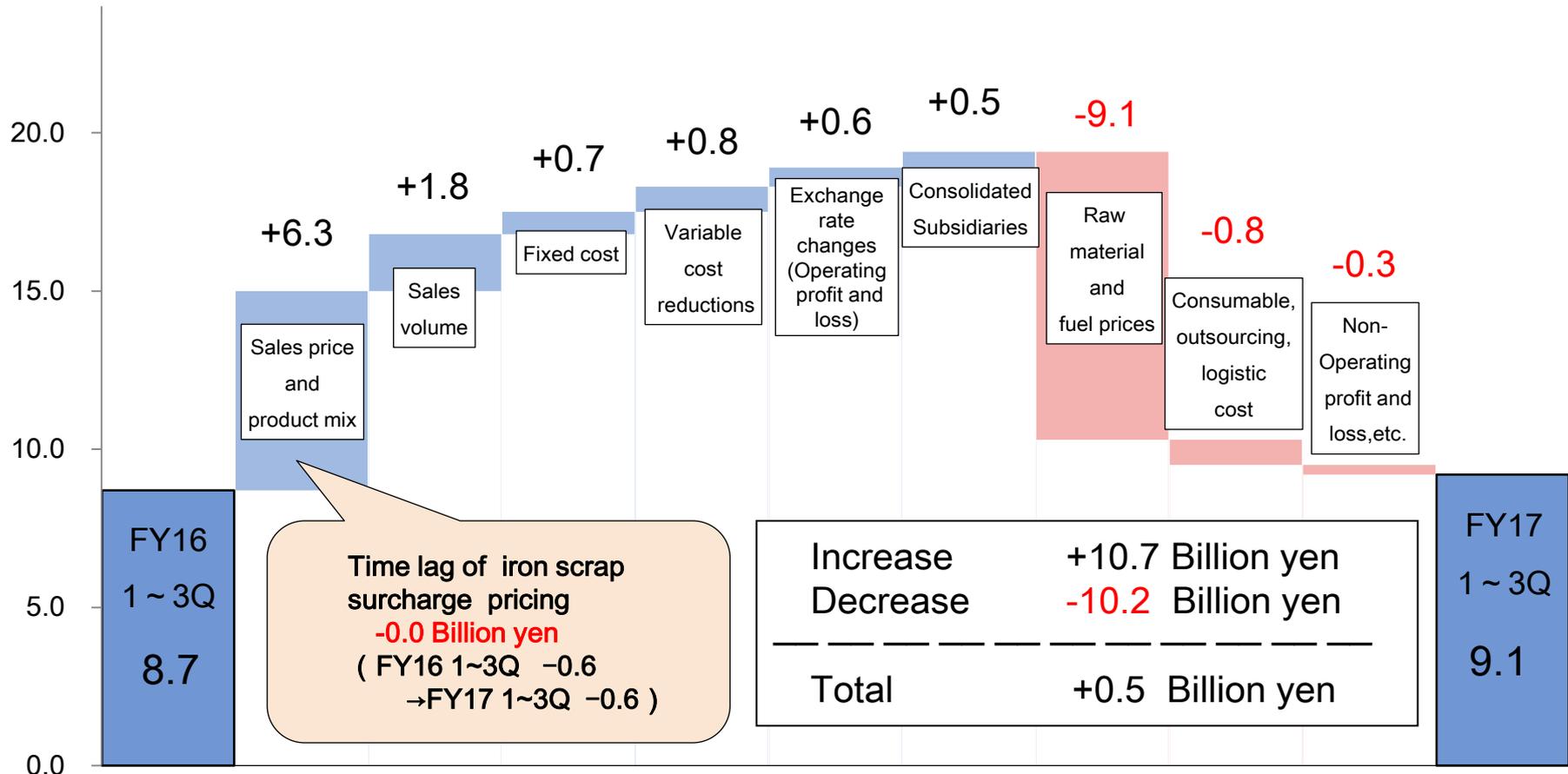
Net Sales and Ordinary Income (quarterly)



Ordinary Income Variance Analysis

FY16 1~3Q (8.7) → FY17 1~3Q (9.1) (+0.5 Billion yen)

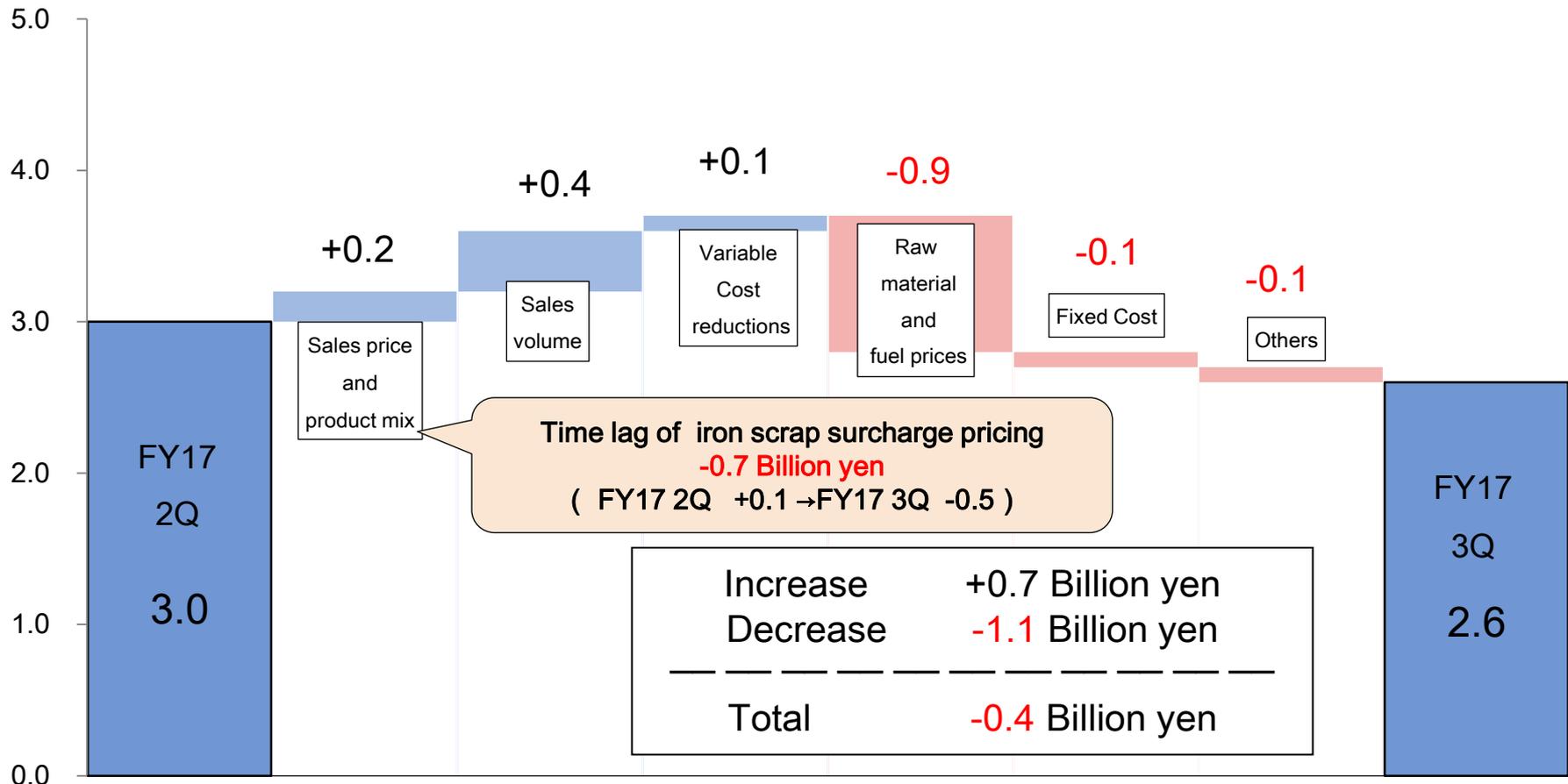
(Billion yen)



Ordinary Income Variance Analysis

FY17 2Q (3.0) → FY17 3Q (2.6) (-0.4 Billion yen)

(Billion yen)



Earnings by Business Segment

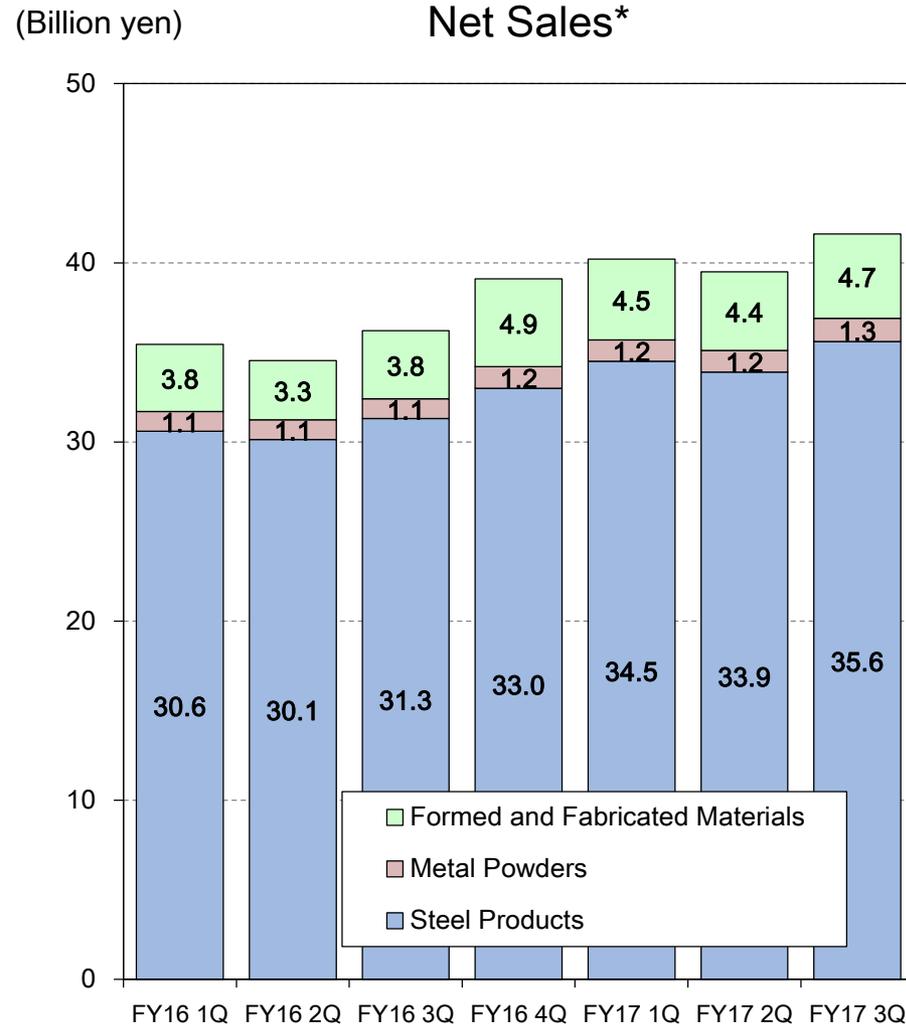
(Unit : Billion yen,%)

| | FY17 1~3Q (A) | | | FY16 1~3Q (B) | | | Change (B) → (A) | | |
|---------------------------------|---------------|------------------|------|---------------|------------------|------|------------------|------------------|------|
| | Net Sales | Operating Income | ROS | Net Sales | Operating Income | ROS | Net Sales | Operating Income | ROS |
| Steel Products* | 104.0 | 7.8 | 7.5 | 92.1 | 7.6 | 8.2 | +12.0 | +0.2 | -0.7 |
| Metal Powders* | 3.7 | 0.7 | 19.9 | 3.3 | 0.6 | 19.5 | +0.4 | +0.1 | +0.4 |
| Formed and Fabricated Materials | 13.6 | 0.7 | 5.0 | 10.9 | 0.4 | 3.4 | +2.7 | +0.3 | +1.6 |
| Sub-total | 121.3 | 9.2 | 7.6 | 106.2 | 8.6 | 8.1 | +15.1 | +0.7 | -0.5 |
| Other | 1.0 | 0.0 | 0.4 | 1.2 | 0.0 | 2.7 | -0.1 | -0.0 | -2.3 |
| Adjustments | -6.8 | 0.0 | — | -6.0 | -0.1 | — | -0.8 | +0.1 | — |
| Consolidated Total | 115.6 | 9.2 | 8.0 | 101.4 | 8.5 | 8.4 | +14.2 | +0.7 | -0.4 |

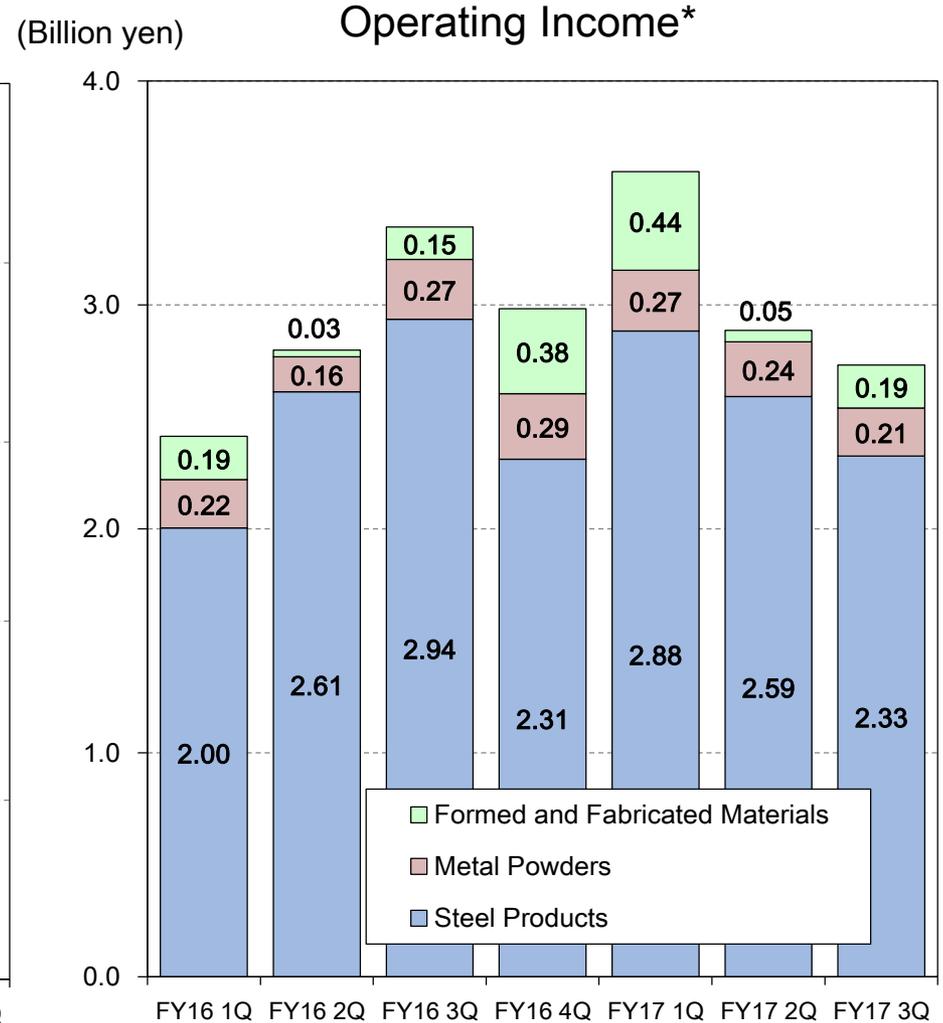
* As a result of the reorganization as of April 1, 2017, the special alloys business, which had been classified under the "Special Materials" business segment, is reclassified under the "Steel Products" business segment and consequently the "Special Materials" business segment is renamed as the "Metal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

Segment information for FY16 1~3Q has been reclassified by revised segments.

Changes in Business Segment(quarterly)

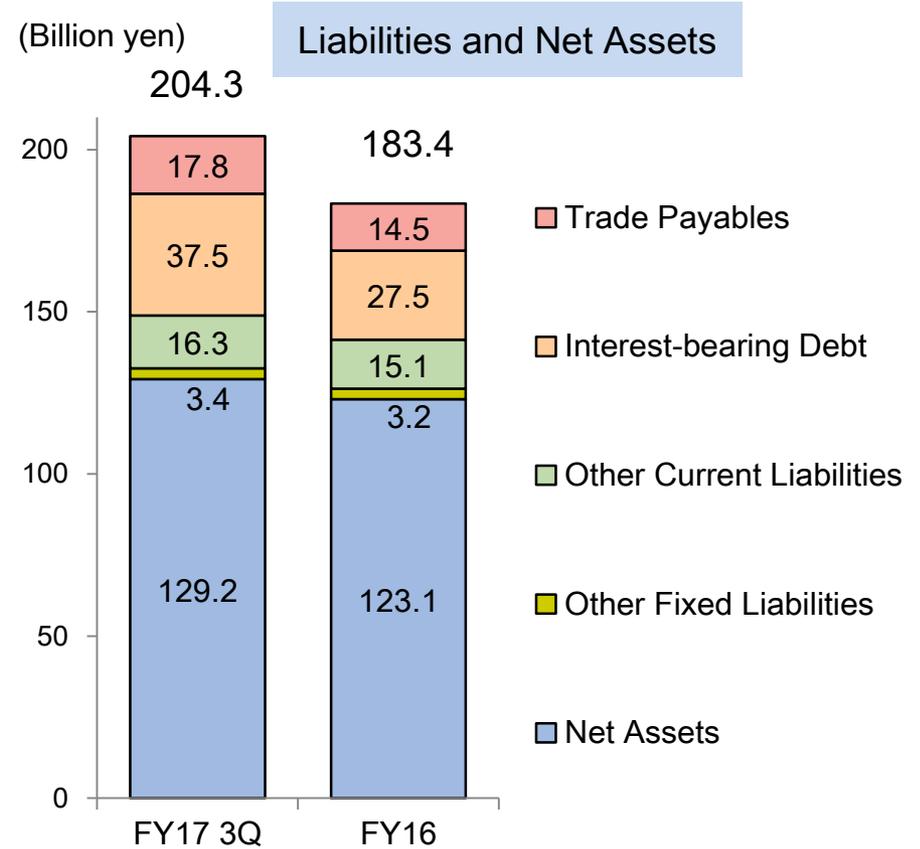
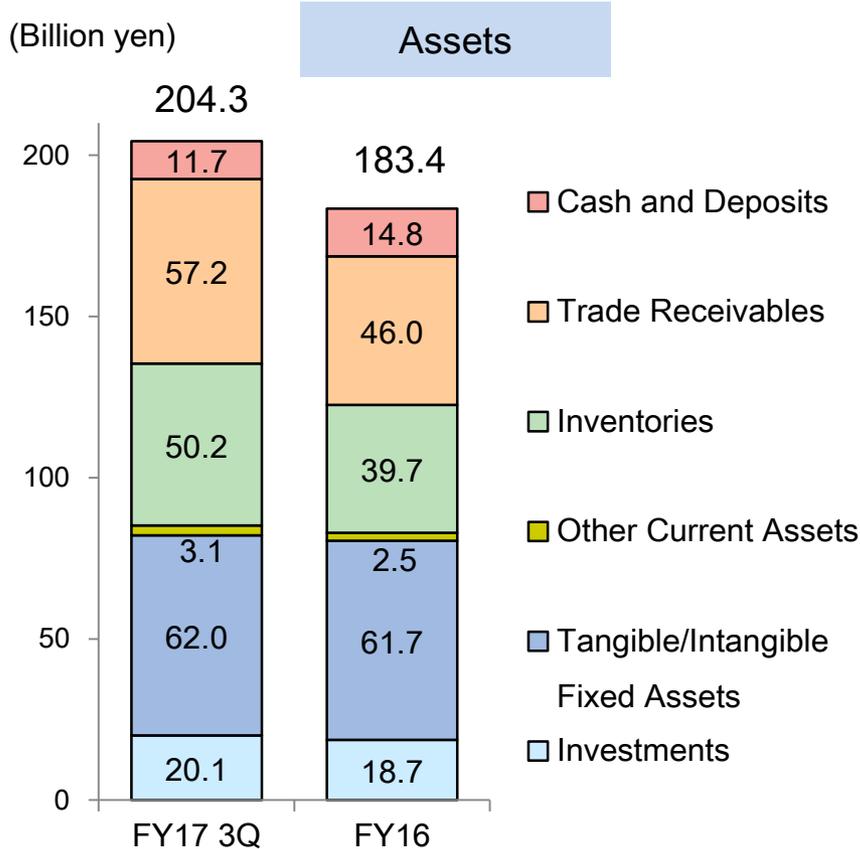


*Including intersegment transactions
 Reclassified by revised segments



*Including intersegment transactions
 Reclassified by revised segments

Balance Sheets



Major changes in Assets +20.8 billion yen

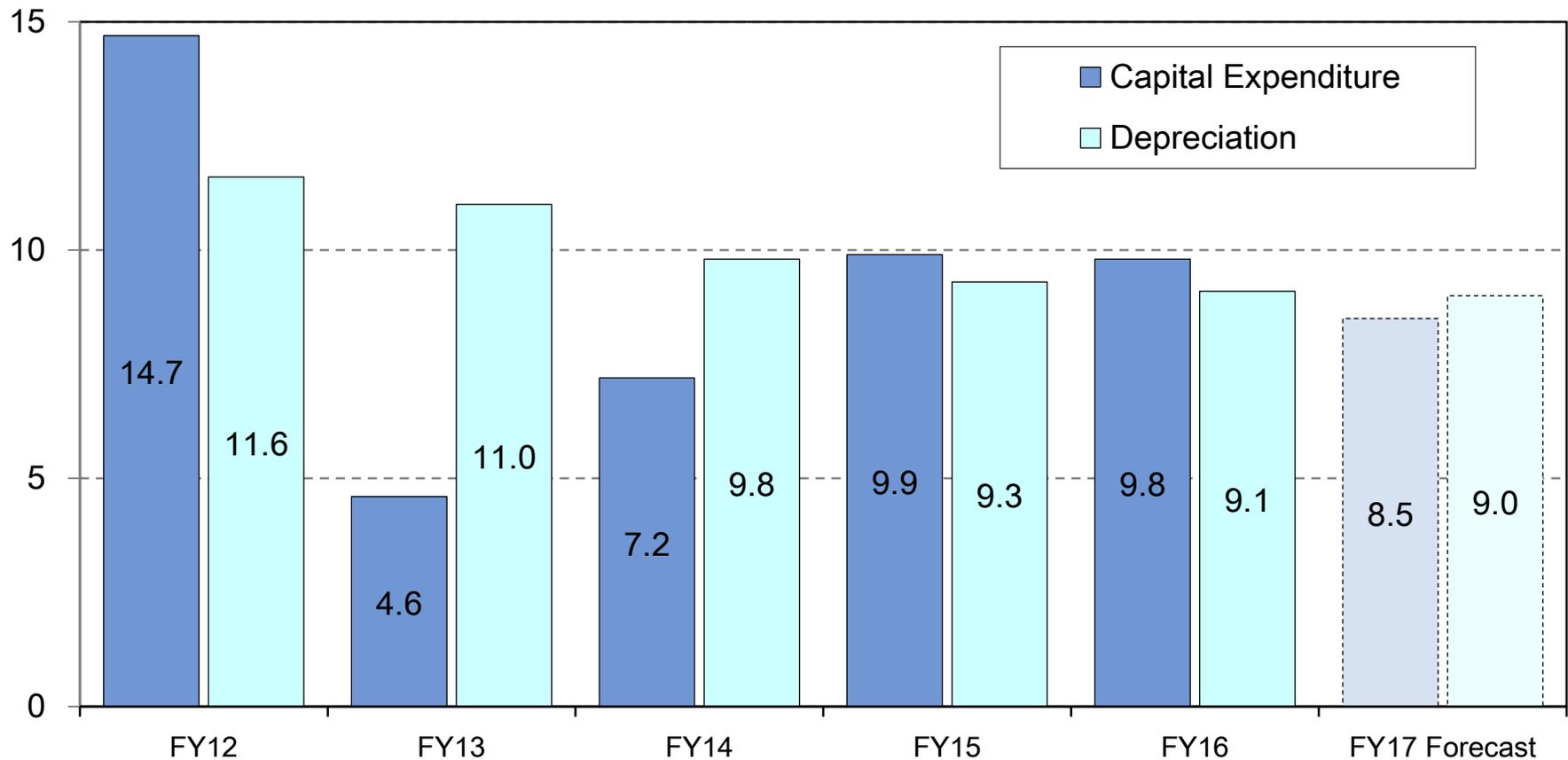
| | |
|-------------------|-------|
| Cash and Deposits | -3.2 |
| Trade Receivables | +11.2 |
| Inventories | +10.4 |

Major changes in Liabilities and Net Assets +20.8 billion yen

| | |
|-----------------------|-------|
| Trade Payables | +3.3 |
| Interest-bearing Debt | +10.0 |
| Net Assets | +6.1 |

Capital Expenditure and Depreciation

(Billion yen)



Business Forecast for FY17

(Unit : Billion yen,%)

| | FY17 Forecast *1 (A) | | FY16 Result (B) | | Change (B) → (A) | |
|------------------|----------------------------|-------------------|-----------------------|-------------------|---------------------|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Net Sales | 150.0 | 100.0 | 138.7 | 100.0 | +11.3 | +8.2 |
| Operating Income | 11.8 | 7.9 | 11.7 | 8.4 | +0.1 | +1.0 |
| Ordinary Income | 11.8 | <i>ROS</i> 7.9 | 11.7 | <i>ROS</i> 8.5 | +0.1 | +0.5 |
| Net Income*2 | 7.8 | 5.2 | 7.8 | 5.6 | +0.0 | +0.2 |

(Reference)

| | | | |
|---|------|------|------|
| <i>Sales Volume</i> (Thousands of ton per month) | 88.7 | 84.4 | +4.3 |
|---|------|------|------|

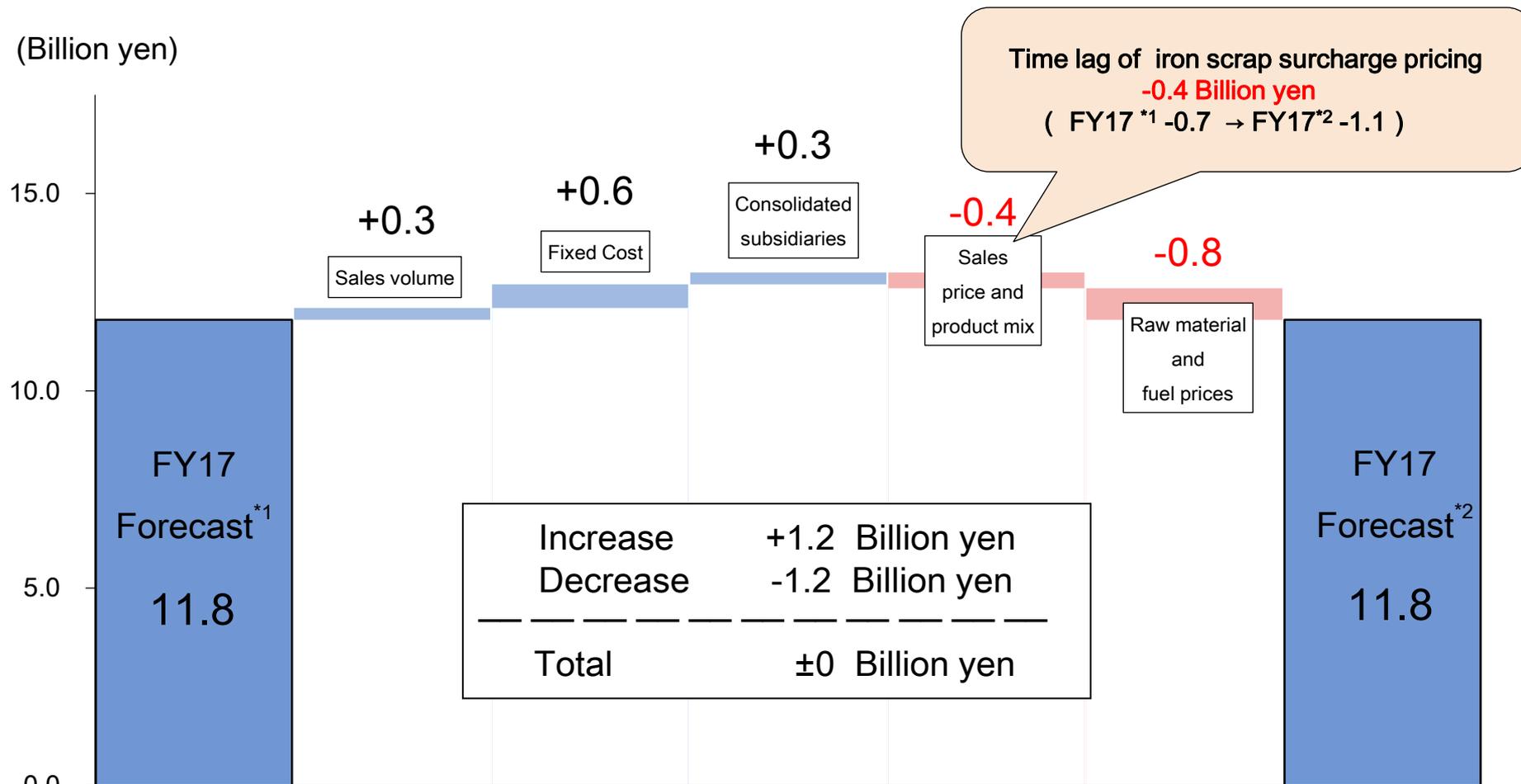
*1 The FY17 forecast announced on October 27, 2017 remains same.

*2 Profit attributable to owners of parent

Ordinary Income Variance Analysis

FY17 Forecast ^{*1} (11.8) → FY17 Forecast ^{*2} (11.8) (±0 Billion yen)

(Billion yen)



*1 As of October 27, 2017

*2 As of February 2, 2018

Dividend

| | FY17 1 st Half Result* ¹ | FY17 Forecast* ² | (Reference) FY16 Result |
|--|---|--------------------------------|---------------------------------------|
| Sales (billion yen) | 76.1 | 150.0 | 138.7 |
| Ordinary Income (billion yen) | 6.5 | 11.8 | 11.7 |
| Net Income* ³ (billion yen) | 4.3 | 7.8 | 7.8 |
| Net income Per Share* ⁴ (yen) | 26.44 | 242.11 | 48.29 |
| Dividend Per Share* ⁴ (yen) | 6.7 | Interim 6.7 Year-end 29.0 | 12.5 (Interim 5.0 Year-end 7.5) |
| Payout Ratio (%) | 25.3 | 25.8 | 25.9 |

*1 Payment date of interim dividends : November 30, 2017

*2 The FY17 year-end dividend forecast remains same as of October 27, 2017.

*3 Profit attributable to owners of parent

*4 We conducted a one-for-five reverse stock split of our company's shares effective in 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 %

Changes in Financial Indicators

| | | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 1~3Q | The 10th Mid-term Business Plan |
|--|-------------|-------|-------|-------|-------|-------|--------------|--|
| ROE (Net Income to Net Assets) *1 | % | 0.5 | 4.1 | 6.1 | 6.6 | 6.6 | 6.4 | 7.0 |
| ROS (Ordinary Income to Net Sales) | % | 1.2 | 4.2 | 5.7 | 7.7 | 8.5 | 7.9 | 9.0 |
| ROA (Ordinary Income to Total Assets) *1 | % | 0.8 | 3.4 | 4.8 | 6.0 | 6.5 | 6.3 | 7.0 |
| Equity Ratio | % | 48.6 | 50.2 | 55.8 | 62.4 | 66.7 | 62.6 | |
| Interest-bearing Debt (Net) | Billion yen | 51.6 | 47.8 | 33.2 | 14.3 | 12.7 | 25.8 | |
| Net D/E Ratio *2 | Times | 0.53 | 0.46 | 0.29 | 0.13 | 0.10 | 0.20 | 0.20 |
| Net Income Per Share*3 | ¥/share | 15.8 | 126.0 | 203.0 | 230.0 | 241.5 | 186.9 | |
| Net Assets Per Share*3 | ¥/share | 2,995 | 3,167 | 3,498 | 3,483 | 3,797 | 3,968 | |
| Number of Employees at End of Period | Persons | 2,829 | 2,775 | 2,706 | 2,625 | 2,598 | 2,662 | |

*1 ROE and ROA are annualized.

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

*3 Net Income Per Share and Net Assets Per Share are adjusted the one-for-five reverse stock split .

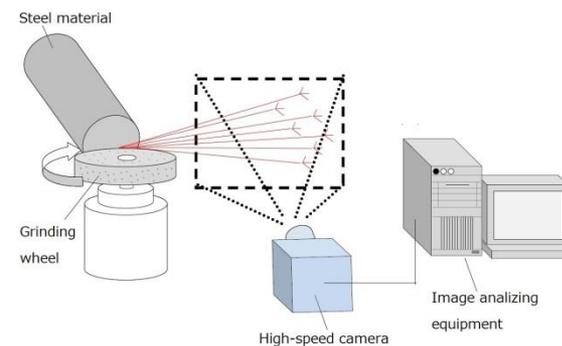
Other Topics

(1) Development of a steel identification system analyzing spark image

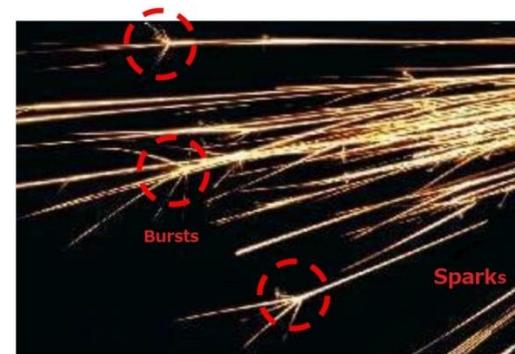
- We developed a steel identification system by spark tests* to distinguish types of steel, in joint research with Tokyo University of Science.
- Currently, workers identify each steel grade by visual inspection of sparks. In the developed system, a high-speed camera takes spark images and an image analyzer digitizes the characteristics of the sparks.
- By calculating the volume of sparks and number of bursts through image analysis and assessing their ratios, the machine is capable of identifying the carbon content in steel to within $\pm 0.05\%$.
- We expect that accuracy and stability of the spark test will be improved by practical application in the future.

Note: A "spark test" is a test for identifying the constituents of steel material and their content based on the characteristics of sparks observed from scattering sparks when the material is applied to a grinding wheel. When there is an increase in the carbon content of steel, there is typically an increase in the amount of sparks and bursts generated.

Schematic layout of the test machine for a steel identification system



Example of sparks and bursts



Other topics

(2) Factory tour for our employee's family in November 2017

- This tour would gain a better understanding of our pride to manufacturing and our workplace.
- About 300 people visited Steelmaking Plant and 5,000t Forging Press etc.
- We received many messages and illustrations from children.
- We conducted a local beautification on the same day.



(3) Receipt of the Hyogo Work-Life Balance Company Award

- Santoku Computer Service Co., Ltd. received this award, which we received in November 2010, for the first time as our subsidiaries.
- It was appreciated that the company encourages to work with worth living and diversified ways of living.





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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)