



# Overview of Business Results

for the Fiscal Year Ending March 31, 2020  
(April 2019 → March 2020)

 **SANYO SPECIAL STEEL Co., Ltd.**

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## Outline of Statements of Income (FY19 vs FY18)

(Unit : Billion yen)

	FY19(A)		FY18(B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	262.5	100.0	185.8	100.0	+76.6	+41.2
Operating Income	-1.4	-0.5	10.1	5.4	-11.5	-
(Sanyo)	3.6	-	9.8	-	-6.1	-62.9
(Ovako)*1	-0.6	-	-	-	-0.6	-
(MSSS)*1,4	-0.9	-	-0.2	-	-0.7	-
(Amortization of goodwill)	-2.9	-	-0.3	-	-2.6	-
Ordinary Income	-1.5	ROS -0.6	9.4	ROS 5.1	-11.0	-
Net Income*2	-3.7	-1.4	7.7	4.2	-11.4	-

Net Income (Structural Basis)*3	0.5	0.2	6.6	3.5	-6.1	-92.2
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Sales Volume (Thousands of ton)	1,615	134.6 /month	1,171	97.6 /month	+445	+37.1 /month
(Sanyo)	854	71.2 /month	1,061	88.4 /month	-207	-17.2 /month
(Ovako)	667	55.6 /month	-	-	+667	+55.6 /month
(MSSS)*4	95	7.9 /month	110	12.2 /month	-16	-4.4 /month

\*1 The consolidated accounting period for Ovako and MSSS is Jan 2019 to Dec 2019      \*2 Profit attributable to owners of parent

\*3 Adjusted by following transactions      \*4 Figure(t/month) are for FY18 2~4Q (MSSS was consolidated in FY18/2Q)

FY19 : Net Income + Goodwill amortization(including write-off of MSSS's goodwill) (0.5 = -3.7 + 4.2 billion yen)

FY18 : Net Income - Gain on step acquisition of MSSS + Goodwill amortization (6.6 = 7.7 - 1.2 billion yen)

## Outline of Statements of Income (FY19 vs. FY19 Forecast)

(Unit : Billion yen)

	FY19(A)	FY19 Forecast(B)	Change (B) → (A)
	Amount	Amount	Amount
Net Sales	262.5	260.0	+2.5
Operating Income	-1.4	-1.9	+0.5
(Sanyo)	3.6	3.1	+0.5
(Ovako)	-0.6	-0.6	-
(MSSS)	-0.9	-0.9	-
(Amortization of goodwill)	-2.9	-2.9	-
Ordinary Income	-1.5	-2.3	+0.8
Net Income <sup>*1</sup>	-3.7	-2.8	-0.9

Operating Income and Ordinary Income increased from the previous forecast due to lower raw material and fuel prices, and decreased fixed costs by additional profit improvement measures such as reductions in personnel and other expenses.

\*1 Profit attributable to owners of parent

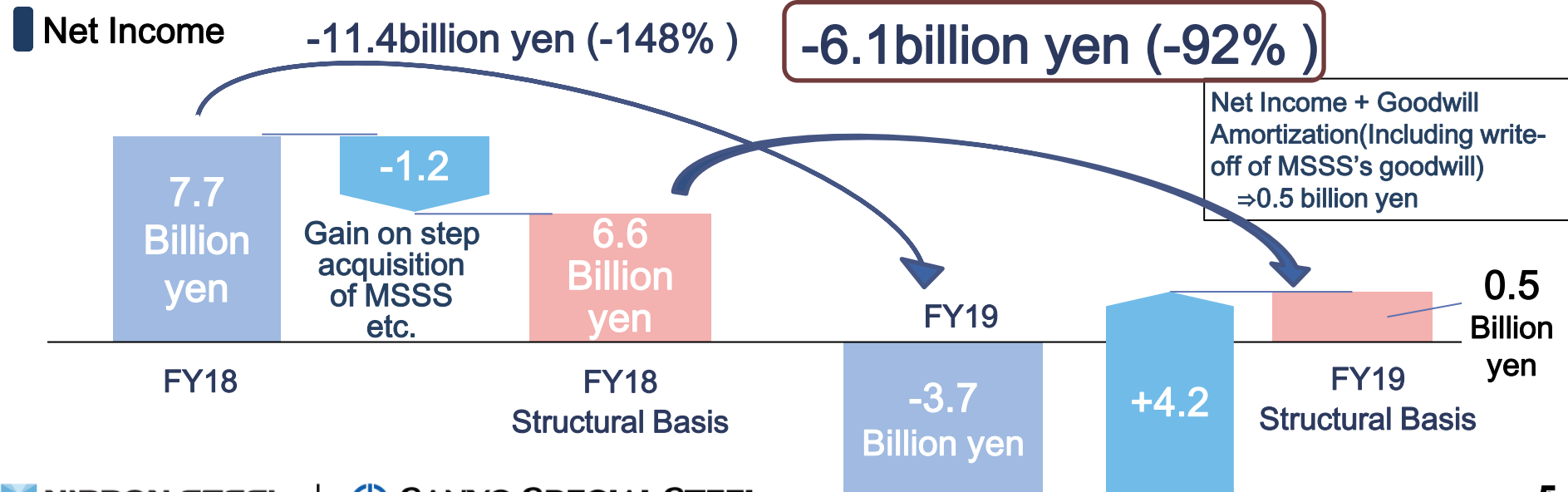
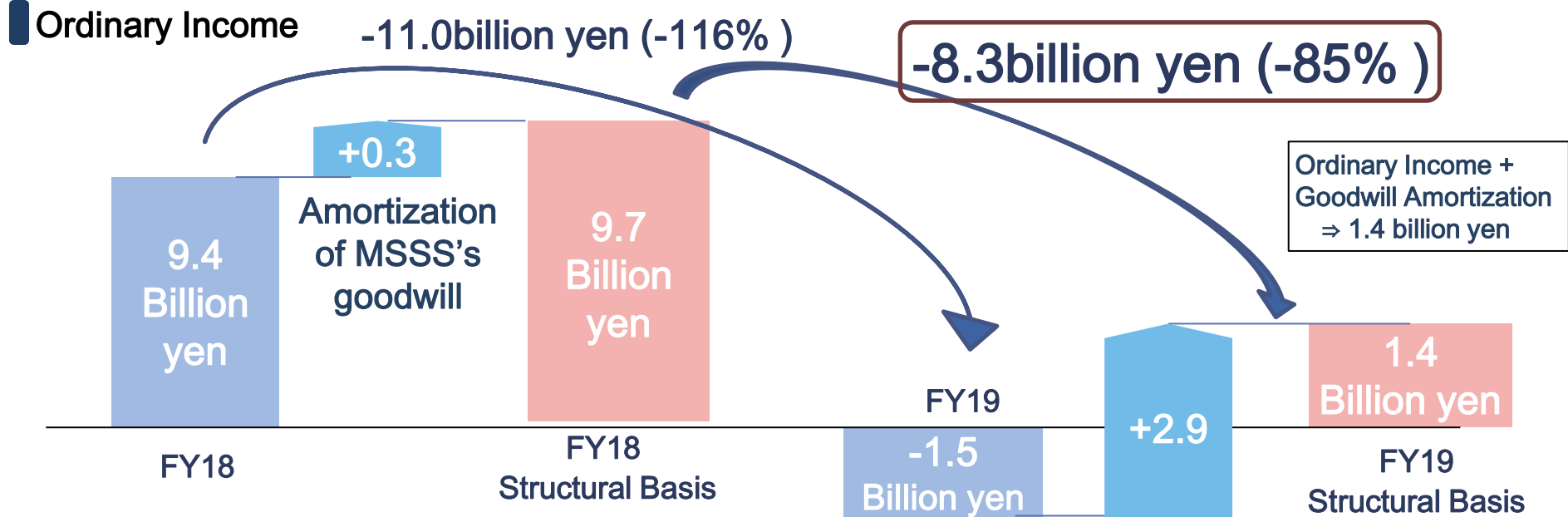
\*2 Previous forecast is as of January 31, 2020.

(Reference)	FY19(A)	FY19 Forecast(B)	Change (B) → (A)
	Thousands of ton	Thousands of ton	Thousands of ton
Sales Volume	1,615	1,616	-1
(Sanyo)	854	855	-1
(Ovako)	667	667	-
(MSSS)	95	94	+0

Net income decreased due to the accrual of extraordinary loss of 1.3 billion yen for write-off of goodwill with following reason:

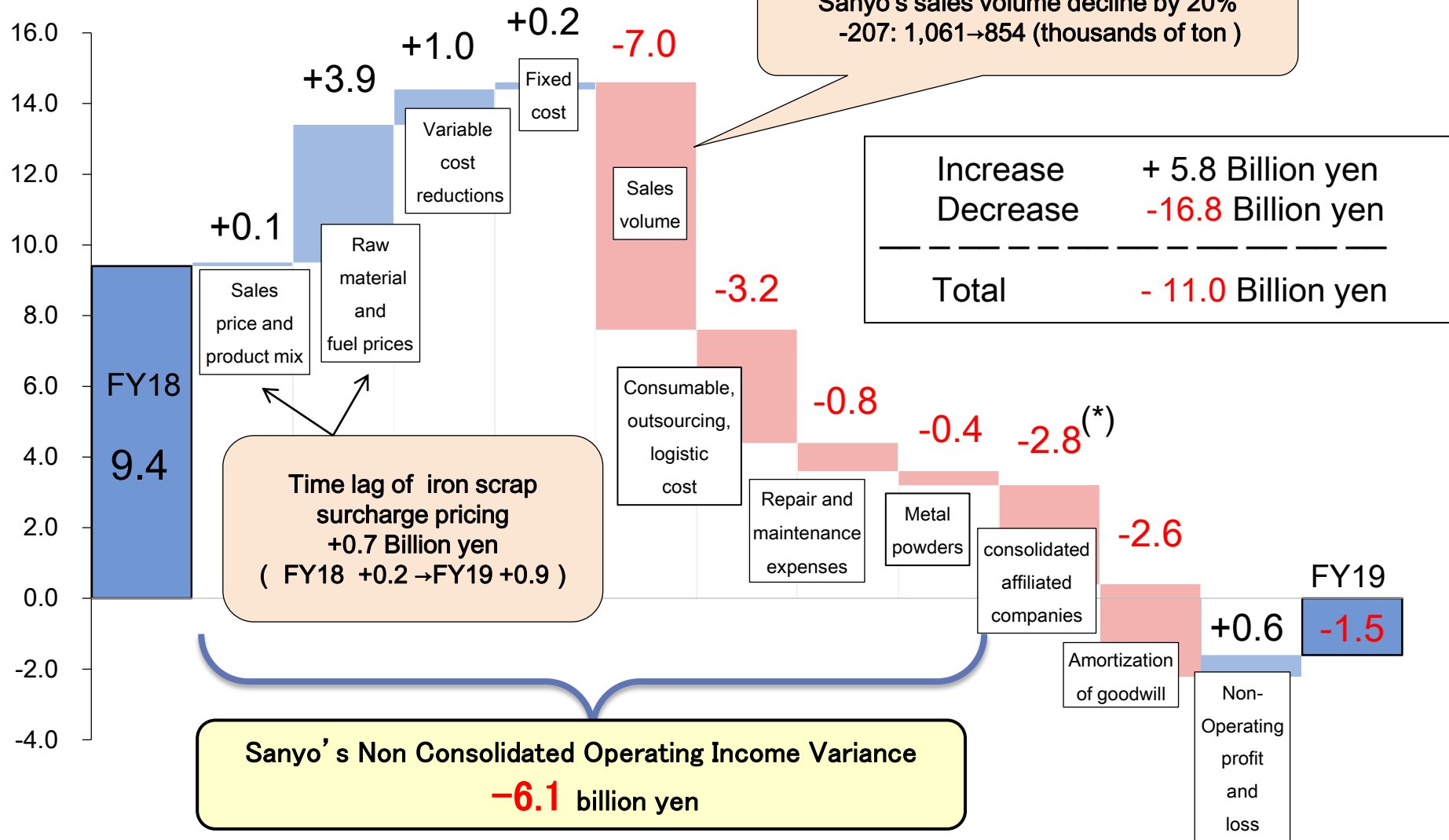
The profit recovery of MSSS, an affiliated company in India, is predicted to take longer than previously expected by the impact of the spread of the COVID-19 infection.

# Income (Structural Basis) FY18 vs. FY19



# Ordinary Income Variance Analysis (FY18 to FY19)

(Billion yen)



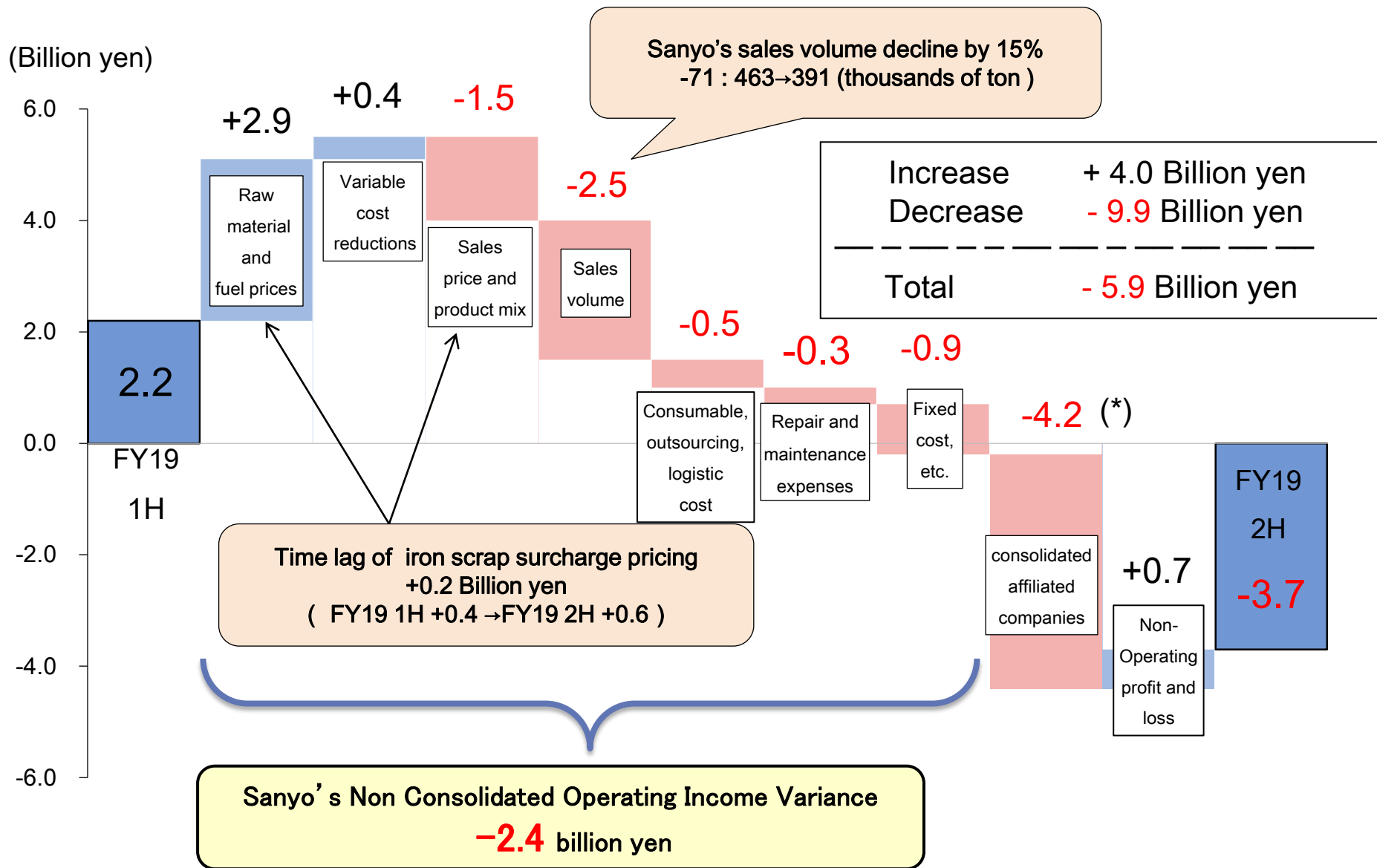
Time lag of iron scrap surcharge pricing  
 +0.7 Billion yen  
 ( FY18 +0.2 →FY19 +0.9 )

Sanyo's sales volume decline by 20%  
 -207: 1,061→854 (thousands of ton)

Sanyo's Non Consolidated Operating Income Variance  
**-6.1 billion yen**

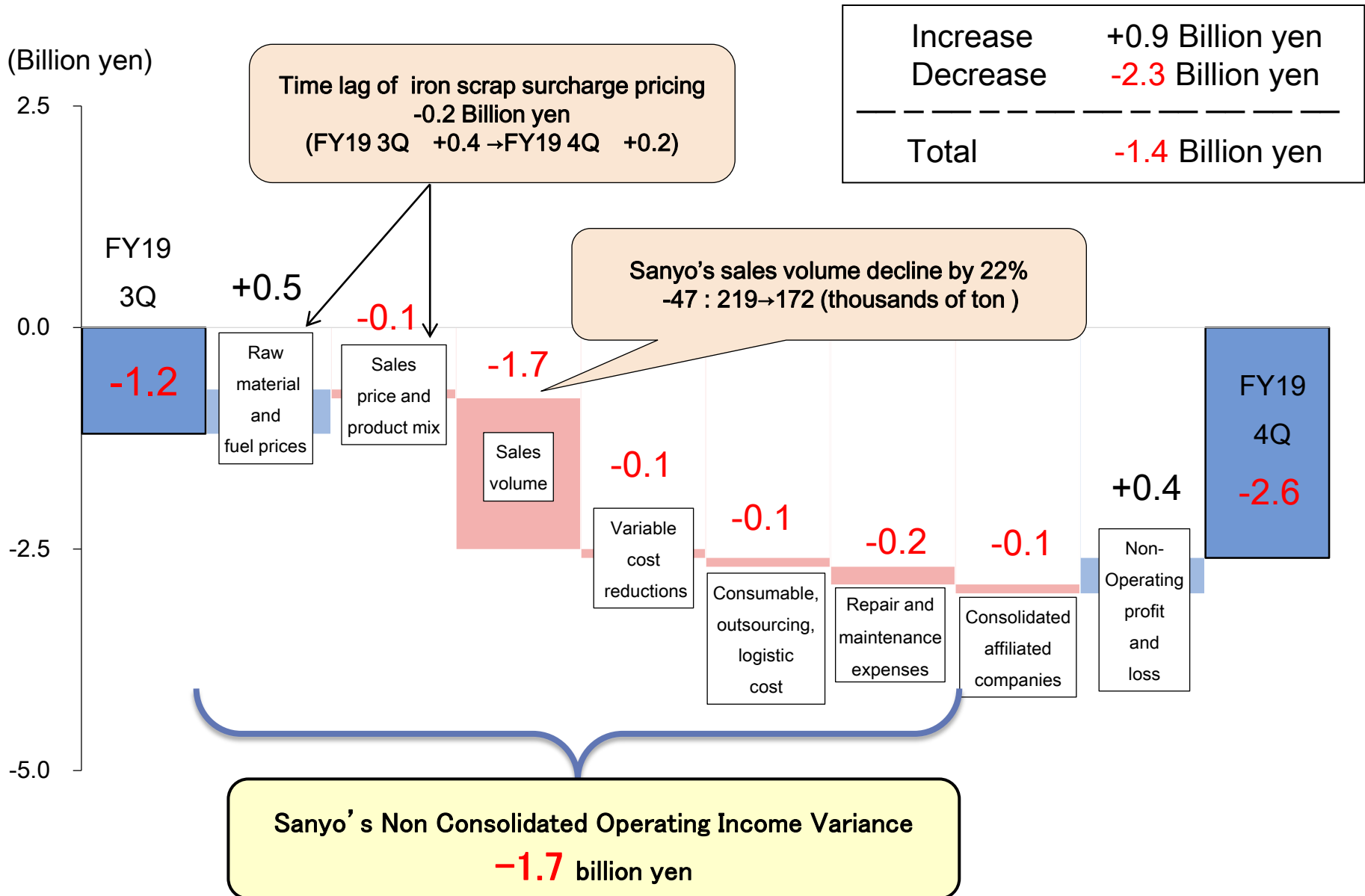
(\*) Including operating income variance as below:  
 Ovako -0.6 billion yen, MSSS -0.7 billion yen,  
 Other affiliated companies of formed and fabricated materials section -0.8 billion yen.

# Ordinary Income Variance Analysis (FY19 1st Half to FY19 2nd Half)



(\*) Including Ovako's operating income variance -4.0 billion yen

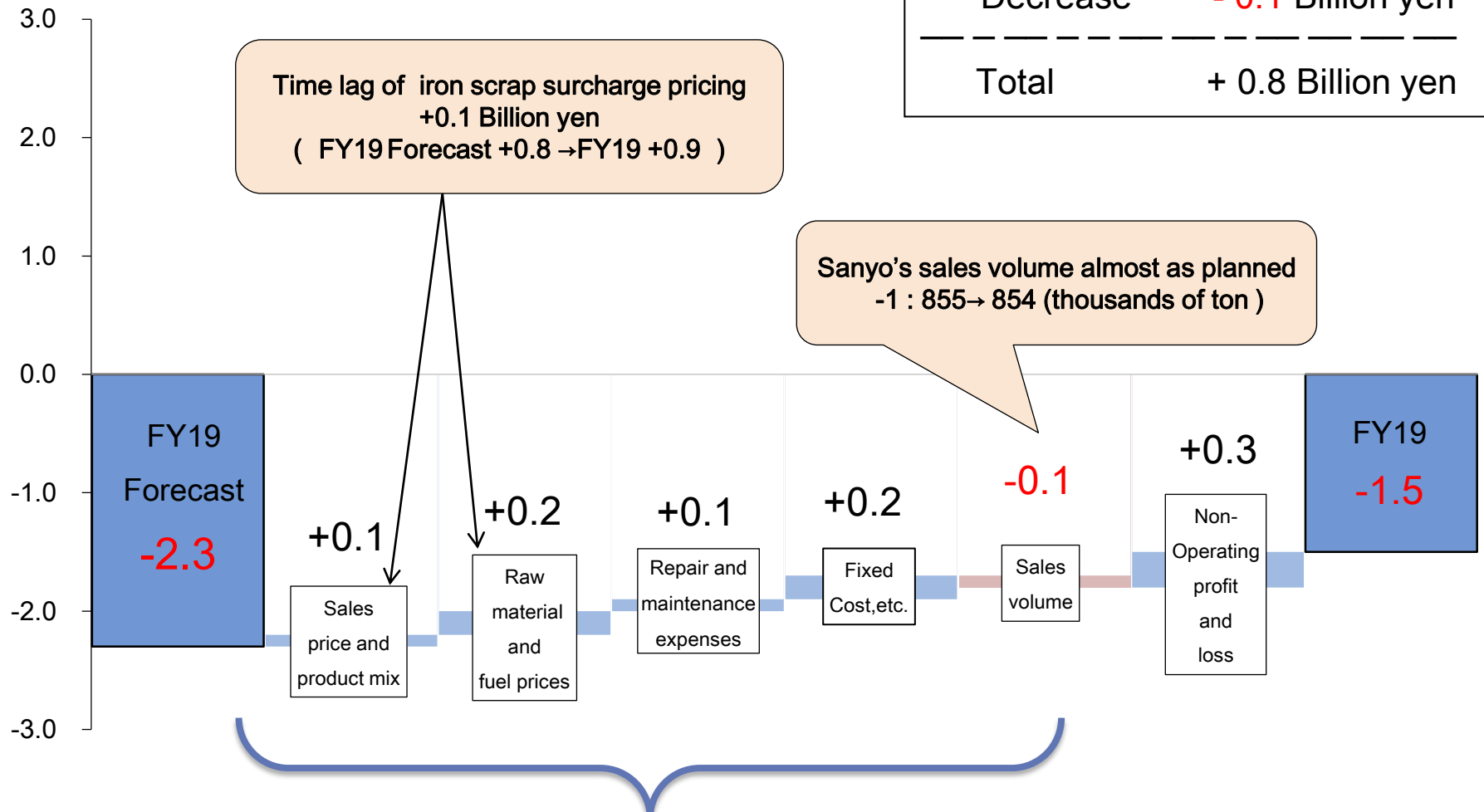
# Ordinary Income Variance Analysis (FY19 3Q → FY19 4Q)





# Ordinary Income Variance Analysis (FY19 Forecast → FY19)

(Billion yen)



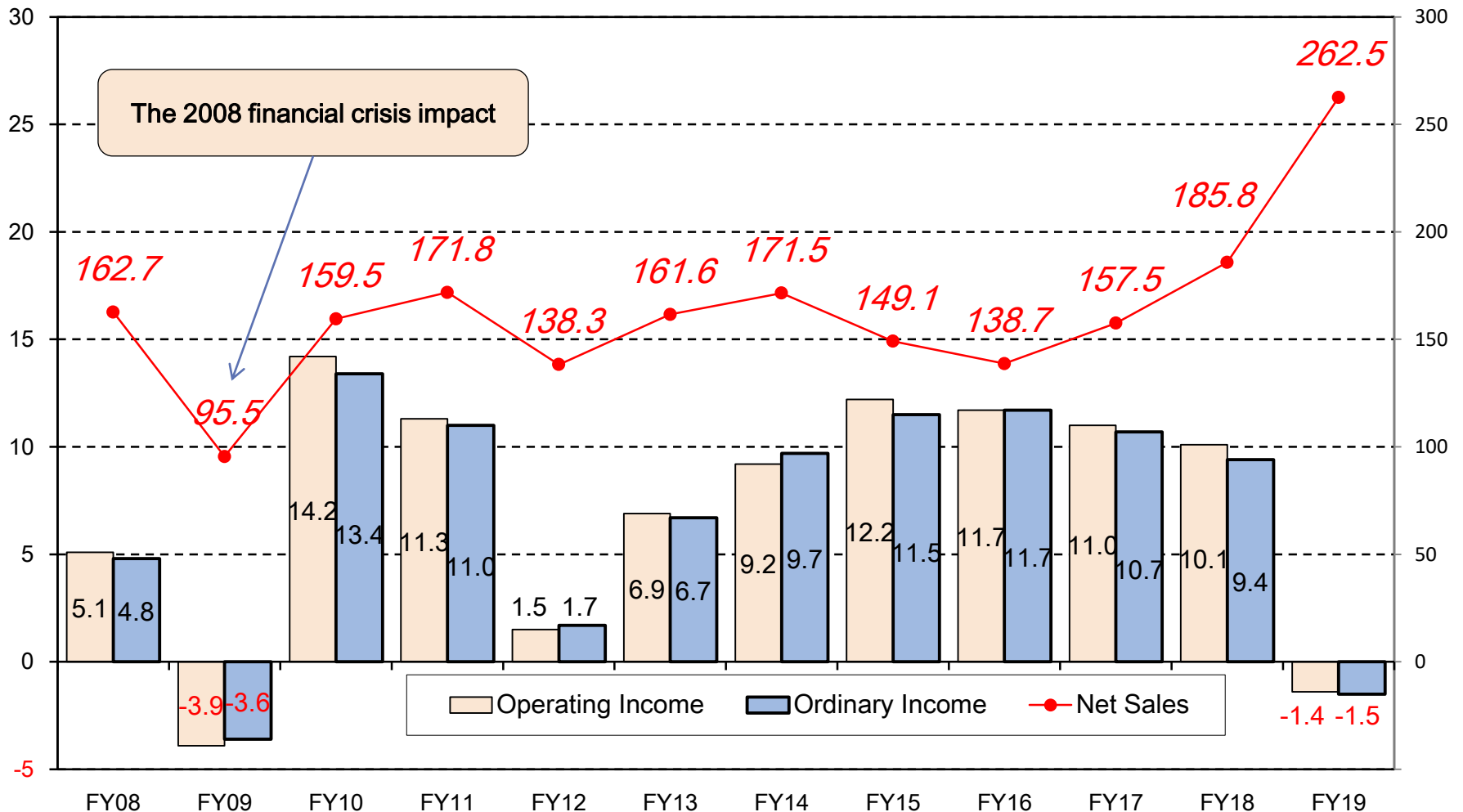
Increase	+ 0.9 Billion yen
Decrease	- 0.1 Billion yen
<hr/>	
<b>Total</b>	<b>+ 0.8 Billion yen</b>

**Sanyo's Non Consolidated Operating Income Variance +0.5 billion yen**

# Net Sales and Income (fiscal)

Operating Income  
Ordinary Income  
(Billion yen)

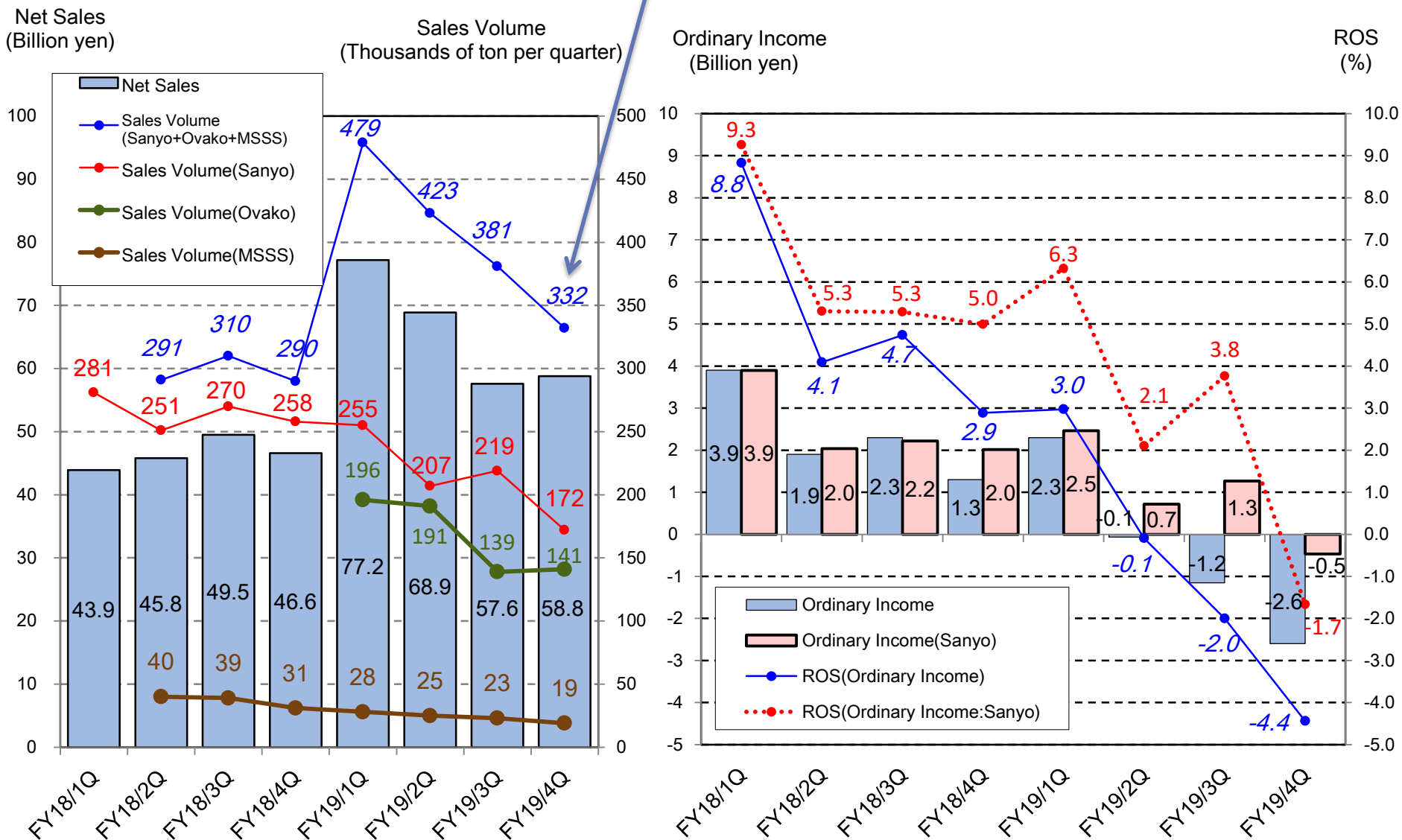
Net Sales  
(Billion yen)



\*MSSS has been consolidated since FY18/2Q, and Ovako has been consolidated since FY19/1Q for profit and loss.

# Net Sales and Income (quarterly)

Ovako; Decrease in sales volume due to Holiday Season  
 Sanyo; Sales volume decreased due to further destocking



# Review of performance <Sanyo>

## Overview of FY 2019

- U.S.-China trade dispute
- Slowing emerging economies
- Uncertainty of Brexit

Acceleration of destocking in customer industry

- Machine tool
- Robot
- Semiconductors

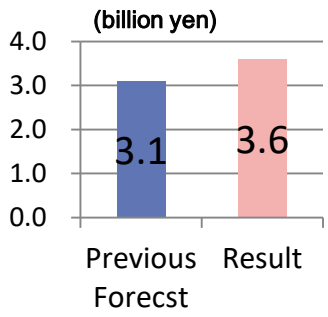
- Automotive
- Industrial machinery
- Construction machinery

Sanyo's sales orders have been decreasing.

Persisting destocking by customers, and continuing low order trend of Sanyo.

Sanyo's Operating income increased compared to the previous forecast (As of January 31, 2020)

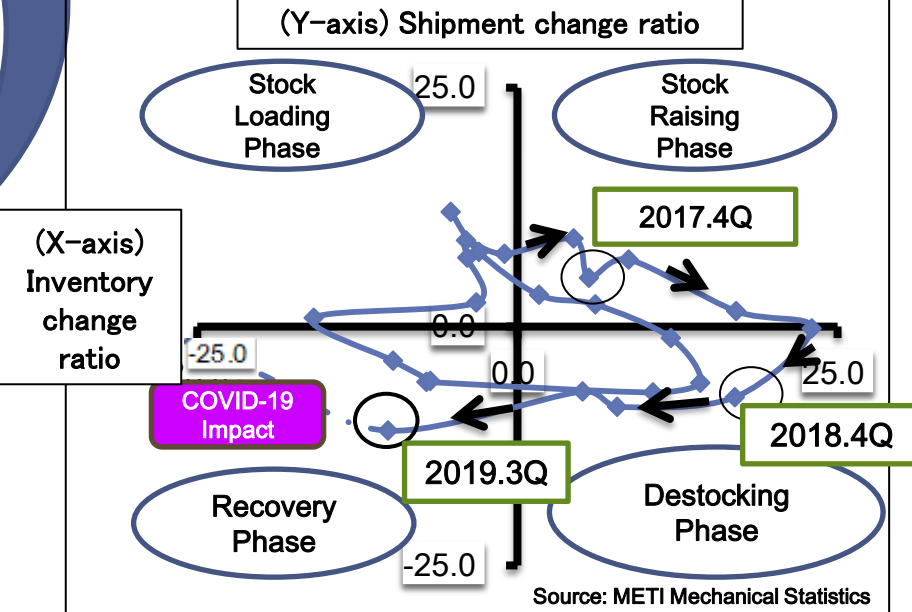
Sanyo's Operating income (billion yen)



Profit improvement measures and actions

- Optimum production and cost minimum operation
- Implementing emergency profit improvement measures (described later)
- Intentionally suppressed production → Progress destocking

## Inventory circulation diagram (Bearing products)



Headquarter : Stockholm, Sweden Manufacture and sale of special steel, steel pipes, rings, etc. with plants in Sweden and Finland & Our affiliated company since March 2019

### Overview of FY 2019 and henceforth

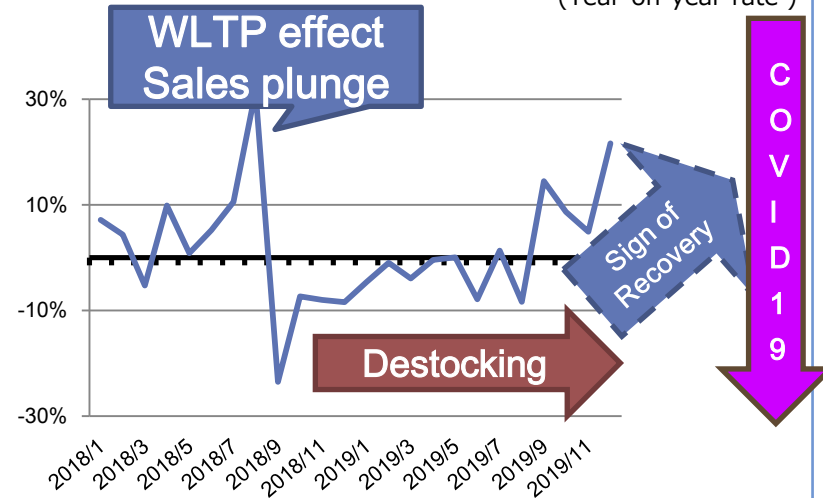
- US-China trade dispute
- Uncertainty of Brexit

- WLTP effect
- Destocking in the supply chain

- Slowdown of EU economy
- Deterioration in business confidence

- EU special steel demand plunge (2018/10-)

Units of automobile sales in Europe (Year-on-year rate)



### Profit improvement measures and actions

- Reduction of fixed cost, mainly by optimizing number of personnel
- Maximizing synergies among 3 companies
  - a) Sales promotion activities
  - b) Reduction of operational cost
  - c) Reduction of procurement cost
- Sale of excess emission rights

· Bottom out in December 2019, but...

Since spring 2020, uncertainty in the economy due to the impact of COVID-19.

### Overview of FY 2019 and Later

Domestic car sales in India  
 Since 2018/11 YoY negative trend  
 2019/08 YoY ▼30%

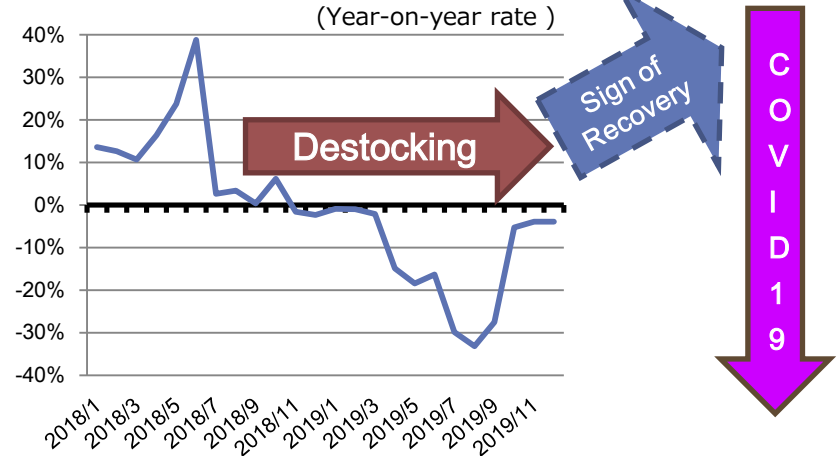
2019/10~12 sales volume bottoms out  
 → Destocking expected to end soon

MSSS's sales volume recovering since January 2020 but,

### Profit improvement measures and actions

- Total order size for National railways: 25,000t/year.
- Increasing sales of high-margin products through expansion of marketing network etc.
- Reducing operating cost by improving energy intensity and efficiency, and reducing procurement cost by use of Chinese electrodes.
- Reducing labor and outsourcing costs by optimizing number of personnel.

### Units of automobile sales in India



Khopoli, Maharashtra State, the location MSSS manufacturing site, has been locked down from March 23, 2020 until May 3, 2020. (As of April 28, 2020)

MSSS preparing for restart of operations while confirming government regulations and customer movements.

Since spring 2020, uncertainty in the economy due to the impact of COVID-19.

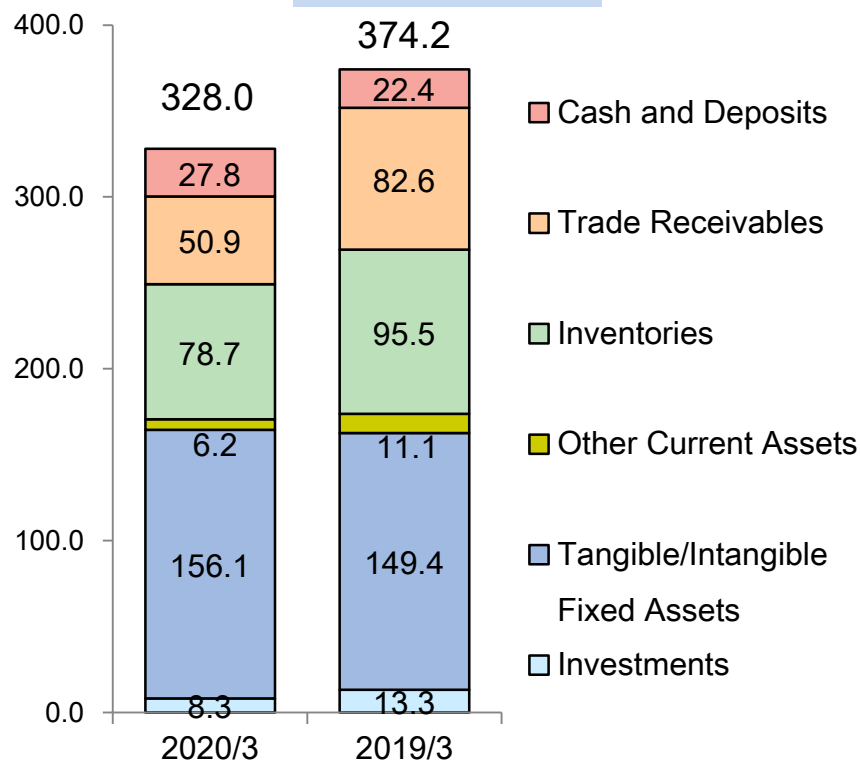
# Earnings by Business Segment

(Unit : Billion yen)

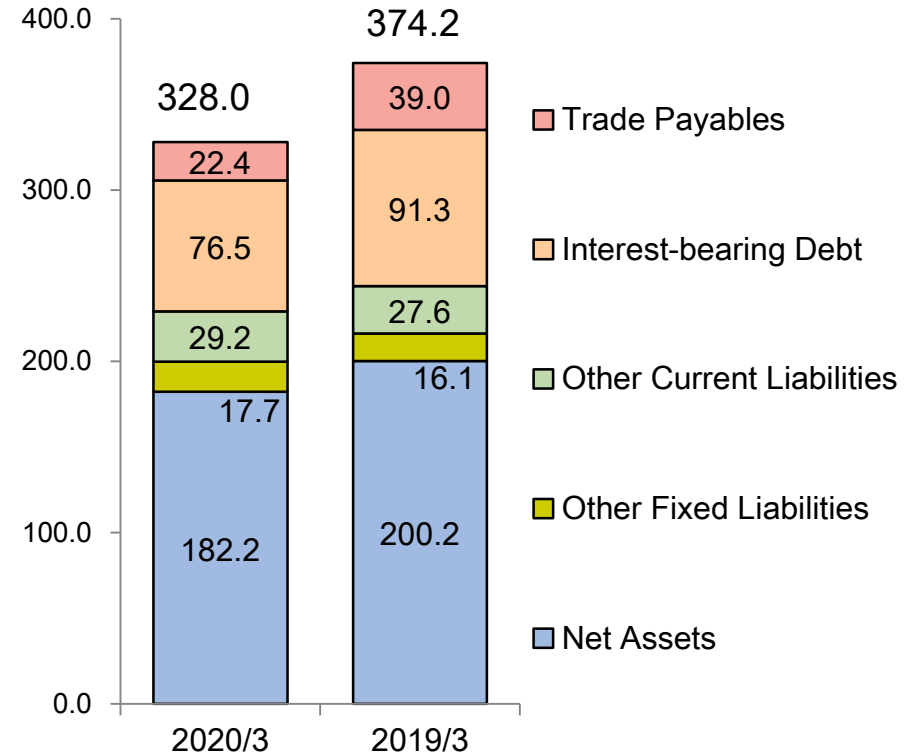
	FY19(A)			FY18(B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	248.4	-1.7	-0.7	170.2	8.5	5.0	+78.1	-10.1	-5.7
Metal Powders	4.1	0.3	6.4	4.9	0.7	13.9	-0.8	-0.4	-7.5
Formed and Fabricated Materials	17.9	-0.1	-0.7	20.0	0.9	4.4	-2.0	-1.0	-5.1
Sub-total	270.4	-1.5	-0.6	195.1	10.0	5.1	+75.3	-11.5	-5.7
Other	1.9	0.1	3.6	1.6	0.0	2.6	+0.2	+0.0	+1.0
Adjustments	-9.9	0.0	—	-10.9	0.1	—	+1.1	-0.0	—
Consolidated Total	262.5	-1.4	-0.5	185.8	10.1	5.4	+76.6	-11.5	-5.9

# Balance Sheets

(Billion yen)



(Billion yen)



Major changes in Assets - 46.3 billion yen (-12%)

Cash and Deposits + 5.4  
 Trade Receivables - 31.7  
 Inventories - 16.8  
 Fixed Assets + 6.7

→Sanyo's fixed assets +12.4, Goodwill -6.8

**【Total amount of goodwill 35.6 ← 42.4 billion yen】**

Major changes in Liabilities and Net Assets - 46.3 billion yen (-12%)

Trade Payables - 16.6  
 Interest-bearing Debt - 14.9  
 Net Assets - 18.0

(Reference) Assets of Sanyo, Ovako and MSSS (non consolidated basis)  
 Sanyo 250.9 billion yen, Ovako 86.9 billion yen, MSSS 15.2 billion yen

Equity Ratio	2020/3	2019/3
	54.4%	52.3%



# Statements of Cash Flows

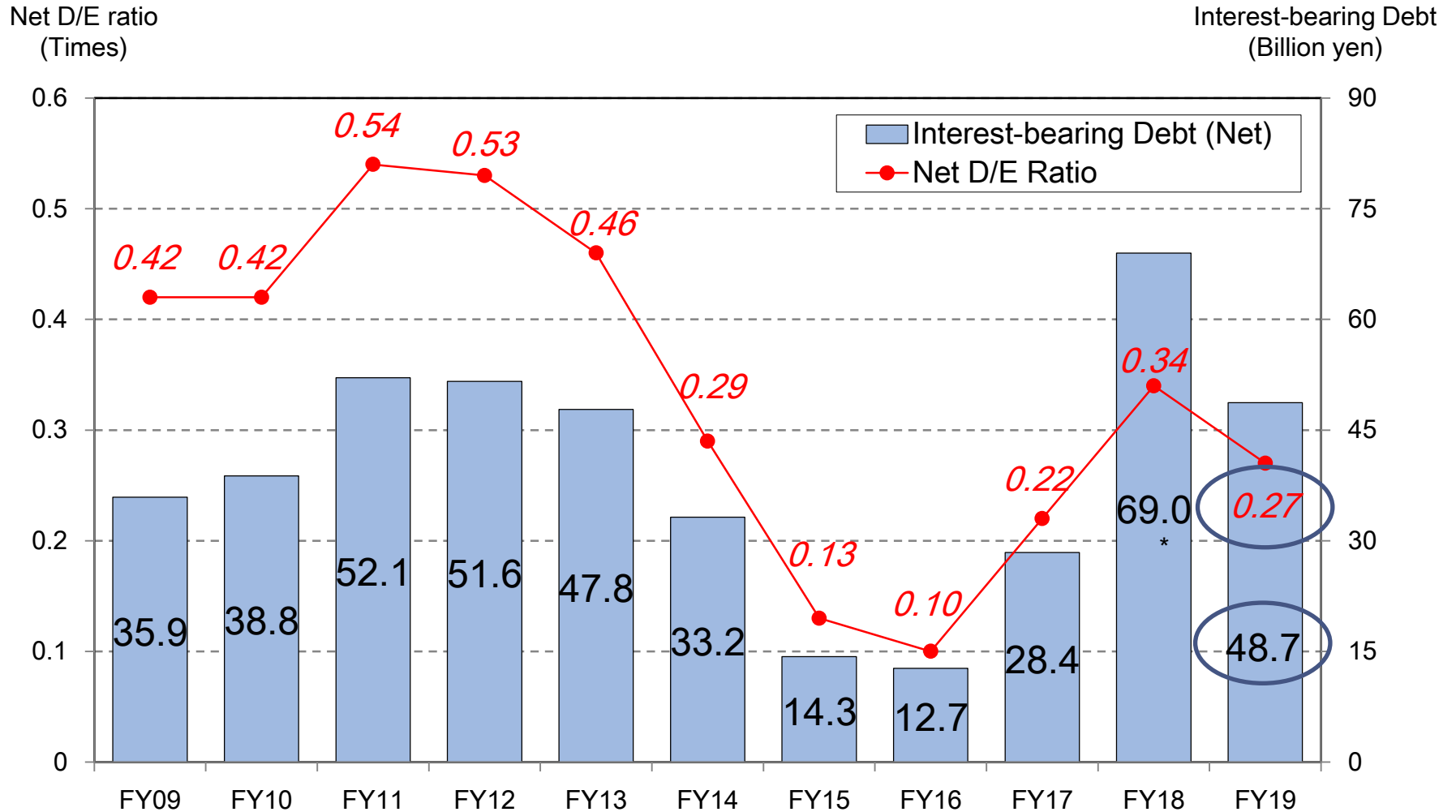
Robust Operating CF

Business Results

(Unit : Billion yen)

	FY15	FY16	FY17	FY18	FY19
Cash flows from operating activities (A)	28.8	15.1	-5.6	10.8	39.4
Net income before income taxes	20.5 { 11.1	20.6 { 11.5	19.3 { 10.3	20.0 { 10.4	16.0 { -3.3
Depreciation & Amortization of goodwill	9.3	9.1	9.0	9.6	19.3
Income taxes	-4.8	-4.0	-3.7	-3.3	-4.2
Working capital, etc.	13.1	-1.5	-21.2	-6.0	27.6
Cash flows from investing activities (B)	-8.5	-11.1	-8.4	-69.0	-12.5
Capital expenditure	-7.1	-10.7	-8.0	-9.1	-18.3
Purchase of shares of subsidiaries	—	—	—	-60.4	4.7
Proceeds from sale of securities	—	—	0.1	0.1	2.2
Others	-1.4	-0.4	-0.4	0.4	-1.1
Free Cash Flows (A+B)	20.3	3.9	-14.0	-58.3	27.0
Cash flows from financing activities (C)	-18.8	-10.8	14.7	65.9	-21.1
Increase/Decrease in borrowings/bonds/ commercial papers /lease obligations	-16.7	-9.0	16.6	0.5	-16.4
Proceeds from issuance of common shares	—	—	—	67.1	—
Purchases or Sales of treasury shares	-0.0	-0.0	-0.0	-0.0	-2.5
Cash dividends	-2.1	-1.8	-2.3	-2.3	-2.2
Others	—	—	0.4	0.5	-0.0
Translation Difference (D)	-0.2	-0.3	-0.0	-0.2	-0.4
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)	1.3	-7.1	0.8	7.5	5.4

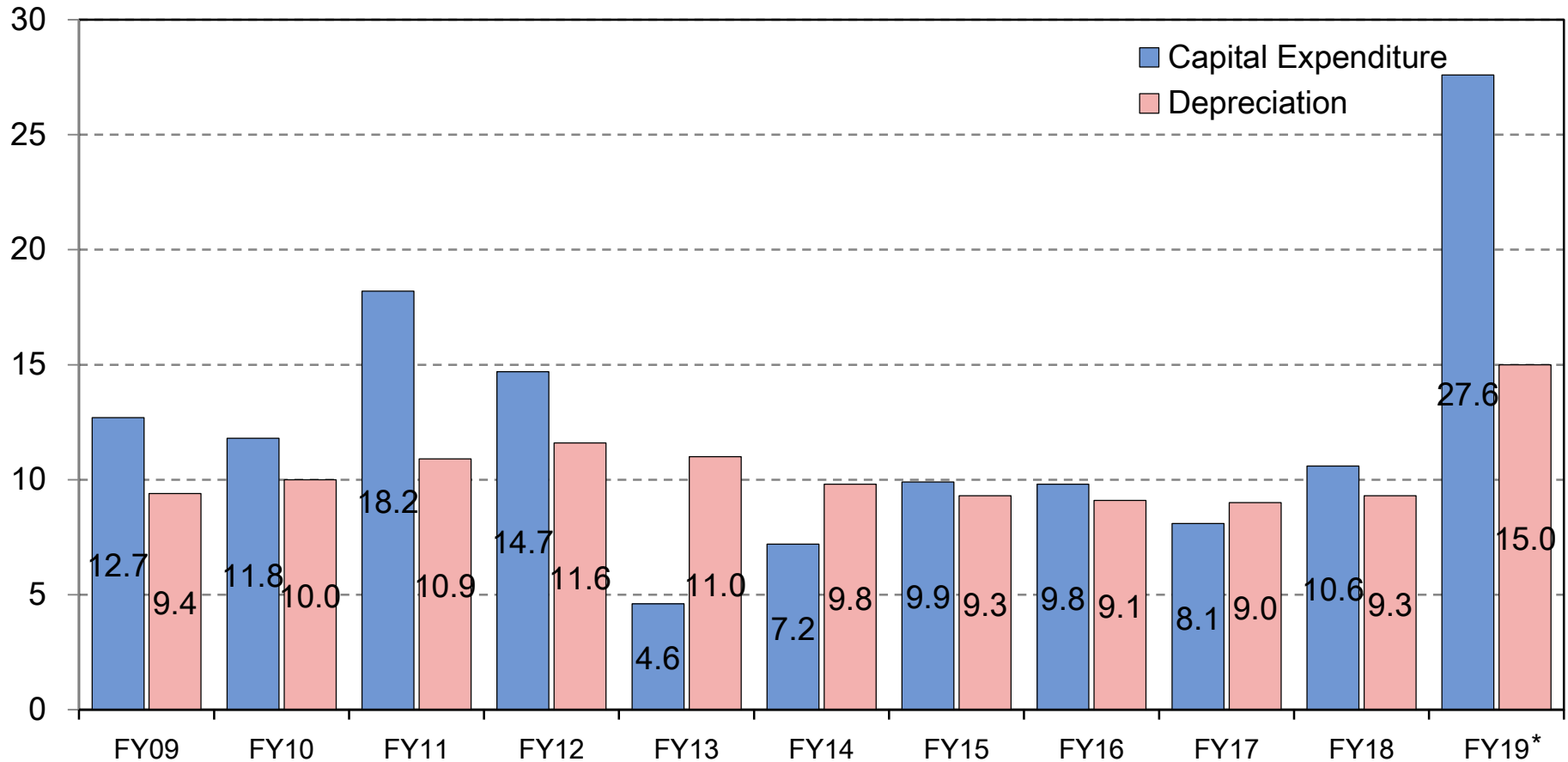
# D/E Ratio



\* Interest-bearing Debt(Net) of 69.0 billion yen in FY18 includes 33.6 billion yen for Ovako and 2.8 billion yen for MSSSPL respectively.

# (Reference) Capital Expenditure and Depreciation

(Billion yen)



\*Capital Expenditure of 27.6 billion yen in FY19 includes 1) 13.6 billion yen for Sanyo Factory Renovation to resolve bottlenecks at No.2 Bar & Wire Rod Mill, 2) 4.8 billion yen for Ovako and 3) 0.8 billion yen for MSSS.  
 Depreciation of 15.0 billion yen in FY19 includes 1) 5.4 billion yen for Ovako and 2) 0.5 billion yen for MSSS.

# Dividend for FY19

Interim dividend was 15.5 yen per share as a result of 1<sup>st</sup> half net income for FY19.

To our deepest regret, we will halt the year end dividend as the result of a net loss for FY19.

		FY19		FY18	(Reference) FY19 Forecast As of January 31, 2020	
		After amortization of goodwill	Before amortization of goodwill		After amortization of goodwill	Before amortization of goodwill
Net Income *1	Billion yen	-3.7	0.5	7.7	-2.8	0.1
Earnings per share	¥/share	-67.1	9.3	237.8	-50.6	1.8
Annual dividend	A	¥/share 15.5		69.0	15.5	
<i>Payout ratio</i> *2	%	-	1.7(times)	29.0	-	8.5(times)
Interim dividend	B	¥/share 15.5		45.0	15.5	
Year-end dividend	A-B	¥/share 0		24.0	0	
Dividend	Billion yen	0.9		2.8	0.9	
Repurchase of Shares		2.5		-	2.5	
Total Return to Shareholders		3.4		2.8	3.4	
Total Return Ratio *3	%	-	6.5(times)	36.2	-	33.6(times)

\*1 Profit attributable to owners of parent \*2 Payout Ratio · · Dividend / Earnings Per Share

\*3 Total Return Ratio · · · Total Return / Net Income

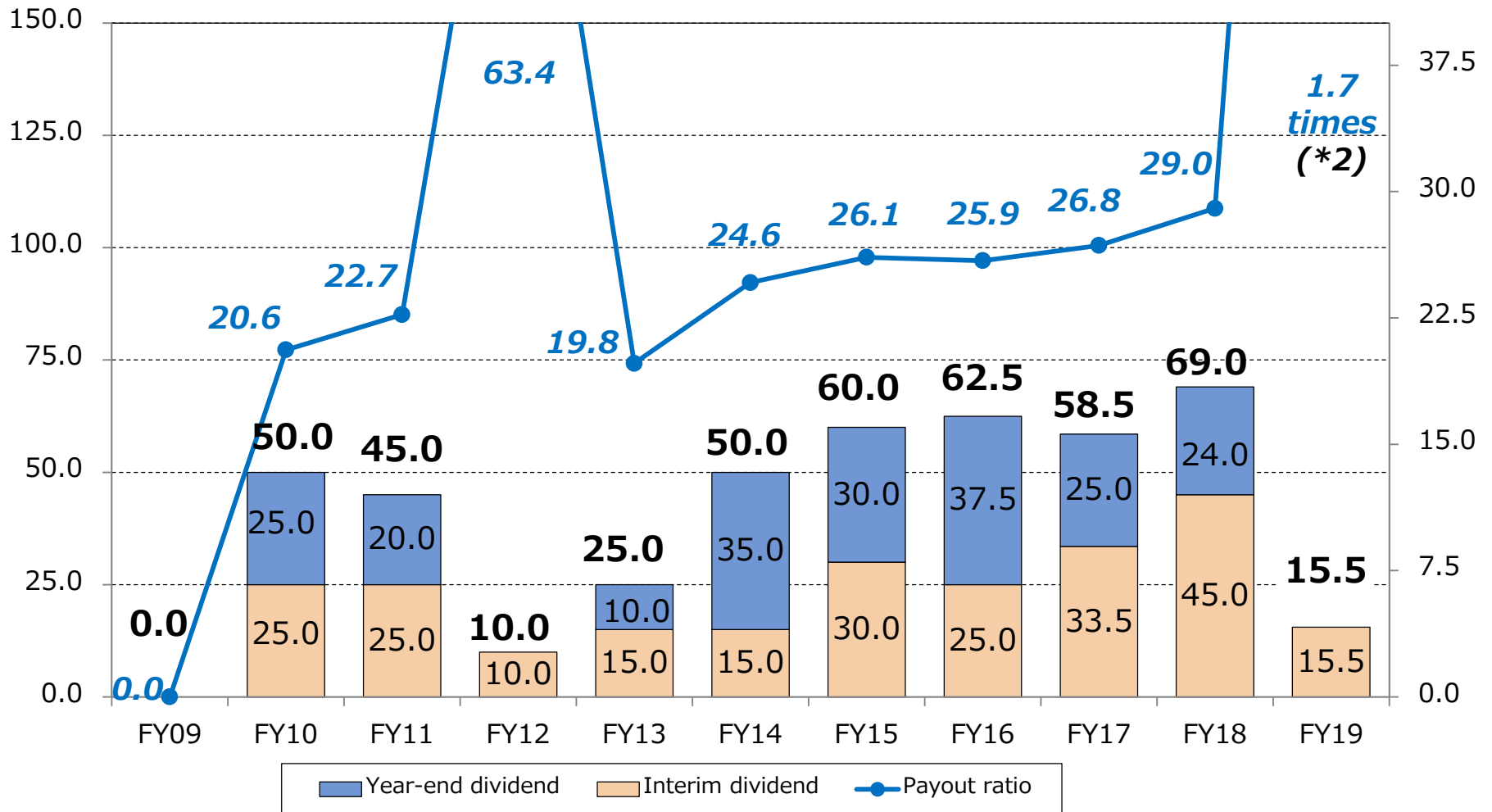
\*4 A total treasury stock of 2,930,000 shares (5.1% of the total number of issued shares before cancellation) will be cancelled on December 27, 2019.

< Dividend Policy >  
Dividend payout ratio target  
(consolidated basis)  
**25 ~ 30 %**

# Dividend Trend

(Yen per share)

(%)



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

Dividend is adjusted after the one-for-five reverse stock split .

\*2 Calculated by Earnings Per Share before goodwill amortization

# Emergency Profit Improvement Measures and Actions (Announced on January 31, 2020)

Decided emergency profit improvement measures and actions to realize a swift recovery.

	Measures		Term
① Voluntary partial return of executive compensation(*)	Representative Director and President	20% of monthly compensation	From February 2020 for the time being
	Director and Managing Executive Officer	10% of monthly compensation	
	Fellow Executive Officer		
	Executive Councilor	7% of monthly compensation	
② Utilizing the unemployment insurance for temporary leave program	Sanyo plans to utilize the unemployment insurance for temporary leave program about two days furlough in a month for all employees working at Head Office/Plant.		From March 2020 for the time being
③ Voluntary partial return of manager's salary	General Manager Position	5% of monthly salary	From February 2020 for the time being
	Group/Section Manager Position	3% of monthly salary	
	Other Manager	1% of monthly salary	
④ Reduction of other expenses	Sanyo will promote operational efficiency and reduce expense to the minimum, such as implementing intensive cost-minimization operations, and curbing non urgent expenditures and investments.		

(\*) Full-time Audit & Supervisory Board Members have voluntarily offered to return 10% of monthly compensation in the same period as well.

- Estimated profit improvement for year ; 0.5 Billion yen
- Additional profit improvements of 0.5 billion yen in FY2019, and 1.0 billion yen in FY2020 (+0.5 billion yen from FY2019) by reductions in bonuses and overtime.
- Further profit improvement measures and actions being implemented by affiliated companies, including Ovako and MSSS .

## Business Forecast and Dividend Forecast for FY20

**We are not able to disclose the business forecast for FY20 because of the extreme difficulty to reasonably estimate the future order status etc., due to the impact of COVID-19 . We will promptly disclose the business forecast when available.**

**We are not able to disclose the dividend forecast for FY20 as well, because of the nonexistence of the business forecast. We will promptly disclose the dividend forecast when available.**

# Countermeasures of COVID-19 Infection

## Countermeasures in Japan (as of April 28)

[Measures applied for employees]

- After the declaration of state of emergency, minimum required number go to office
- Promoting working from home, through upgraded telework environment
- Individual measurement of body temperature before entering workplace
- Promoting periodical hand-washing, mouth rinsing, disinfection with alcohol, and wearing of masks
- Distributing masks to all employees including affiliated companies
- Installing alcohol disinfectants to each workplace
- Installing thermography camera and thermometer at workplace
- Frequent ventilation of room air, maintaining inter-personal distance during work
- Recommendation for staggered working hours and lunch time
- General prohibition of domestic and foreign business trips
- Restricting of face to face conferences, recommendation of web meetings

[Sales and Marketing]

- Restricting visits to customers, etc., and vice versa

[Production]

- Minimum necessary number of employees continue production activities

## Countermeasures in overseas' affiliates (as of April 28)

Appropriate measures in accordance with the laws and regulations and policy of each country

[Measures applied for employees (examples)]

- Promoting working from home (Europe, India, China, etc.)
- Individual measurement of body temperature before entering workplace
- Promoting periodical hand-washing, mouth rinsing, disinfection with alcohol, and wearing of masks
- Returning to Japan as necessary (Japanese staffs)

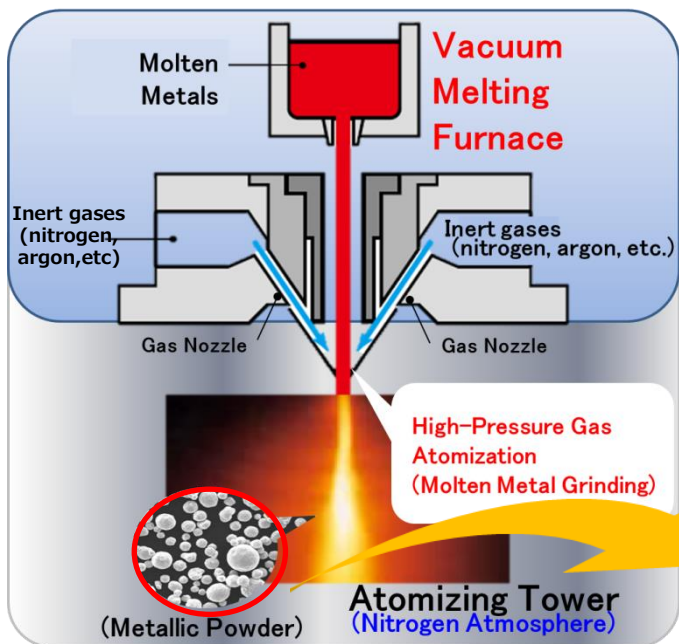


# Topics

## (1) Practical Application of 3D Printer Powder for Manufacturing Dental Equipment

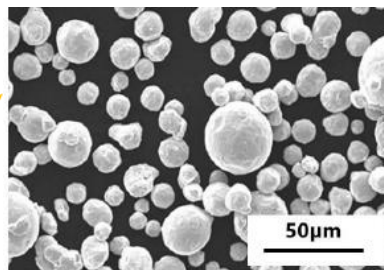
(Announced on March 17, 2020)

- IDS Co., Ltd., a dental materials and products manufacturer, acquired pharmaceutical approval (\*1) for the use of 3D printer powder that we developed. The powder will be the first domestically produced material used for producing dental equipment.
- We are able to efficiently manufacture high-quality, metallic powders with few impurities through the use of the gas atomizing method(\*2).
- We expect further dissemination of stable and inexpensive provision of dental prosthetics manufactured via 3D printing.

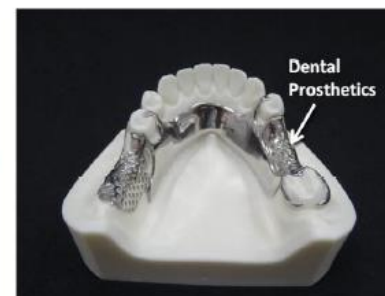


<Manufacturing Metallic Powder through the Gas Atomizing Method>

- \*1 Pharmaceutical Approval  
In accordance with the Act, pharmaceuticals and medical devices can only be sold after receiving approval from the government
- \*2 Gas Atomizing Method  
Spraying metals that have been melted in a vacuum atmosphere with inert gases. We garner a top-class share of the domestic market for gas atomized metallic powders.
- \*3 Dental Prosthetics  
Refers to prosthetic tooth restorations that are meant to restore the functions of teeth.



<Sanyo Special Steel's Gas Atomized Powder>



<Dental Prosthetics Using 3D Printers>

# Topics

## (2) Development of Heat-Resistant Steel for Use in Next Generation Recuperators (Announced on March 17, 2020)

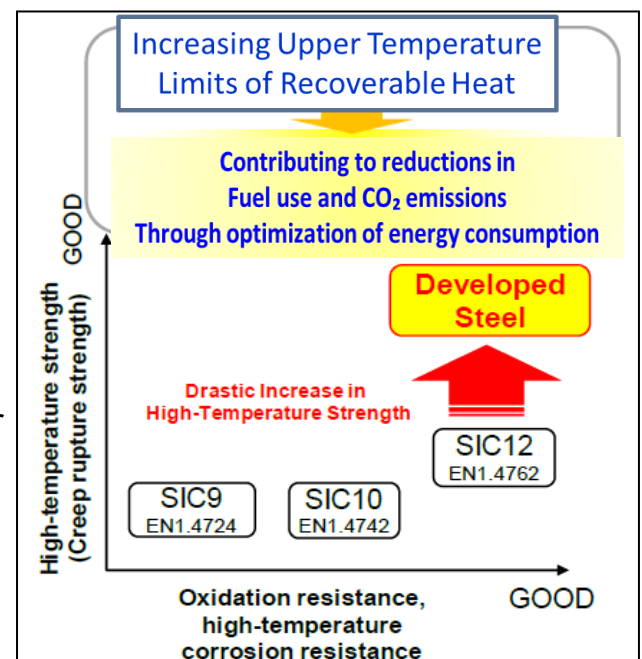
- We developed new heat-resistant steel, based off of the “SIC12,” which boasts the highest oxidation resistance and high-temperature corrosion resistance of the “SIC series.” (\*1)
- By using this heat-resistant steel in the heat exchanger tubes of recuperators, (\*2) it enables to collect wasted heat at even higher temperatures, and we can contribute to reductions in fuel use and CO<sub>2</sub> emissions by increasing energy efficiency at all of the various industrial furnaces.

### \*1 SIC Series

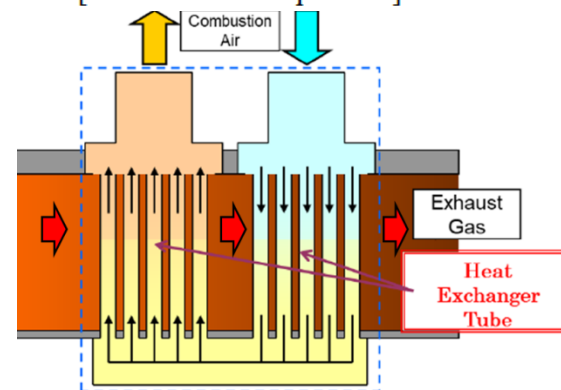
High-temperature corrosion-resistant stainless steels we developed. It contain alloy elements such as silicon and aluminum in high chromium ferritic stainless steel for excellent high-temperature oxidation resistance and enjoy extensive and wide-spread use as heat exchanger tube in recuperators.

### \*2 Recuperator

Waste heat recovery devices are installed inside the flues of various types of industrial furnaces that use fuels such as LNGs and utilize the heat from emitted gases to preheat the combustion air.



[Structure of Recuperators]



# Topics

## (3) Appointment of an independent outside director (planned)

- We will appoint one new independent outside director, possessing high capabilities in accordance with the roles and responsibilities contributing to sustainable growth and enhancement of corporate value of Sanyo over the long term.
- After the approval at the Ordinary General Assembly of Shareholders to be held in June 2020, the number of independent outside directors will be increased from two to three, becoming one-third of the total nine directors of the company.
- We will fully comply to the requirements of the Corporate Governance Code and further enhance our governance functions as a publicly listed company .

## ( 4 ) Support for COVID-19 infection (Donation of Type N95 mask)

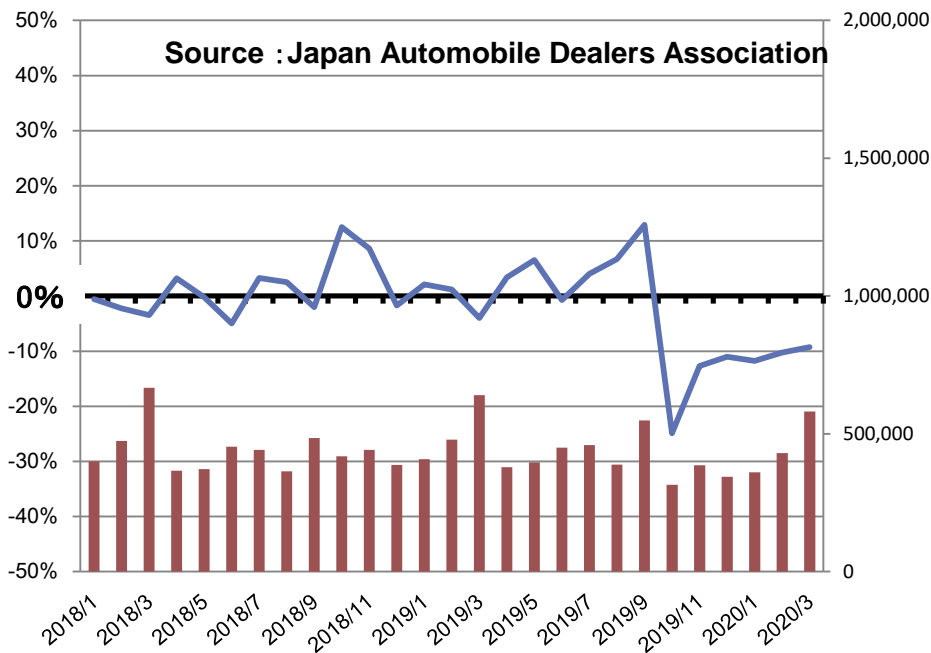
- We will donate 1,000 Type N95 (highest grade) mask to Himeji City and the Ministry of Health, Labor and Welfare respectively, for supporting medical personnel, in the midst of an acute shortage of high-performance medical masks due to the COVID-19.
- We are strongly promoting appropriate business activity internally, with maximum priority on measures to prevent the spread of COVID-19. (Implementation of countermeasures of COVID-19 Infection such as promoting work from home, and reduction of unnecessary contact by using Information and Communication Technology)



# Trends in Automobile Market

## Units of automobile sales in Japan

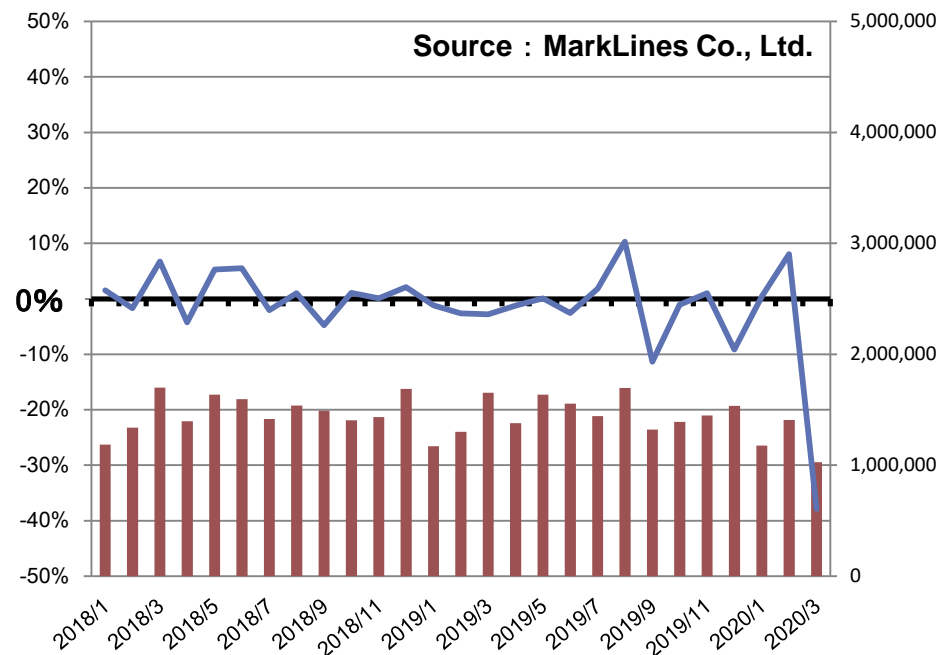
(Year-on-year rate )



2019/7-9; Demand rush before VAT raise.  
2019/10 ; ▼25% on YoY basis after VAT raise  
and easing decline of sales recently

## Units of automobile sales in U.S.

(Year-on-year rate )

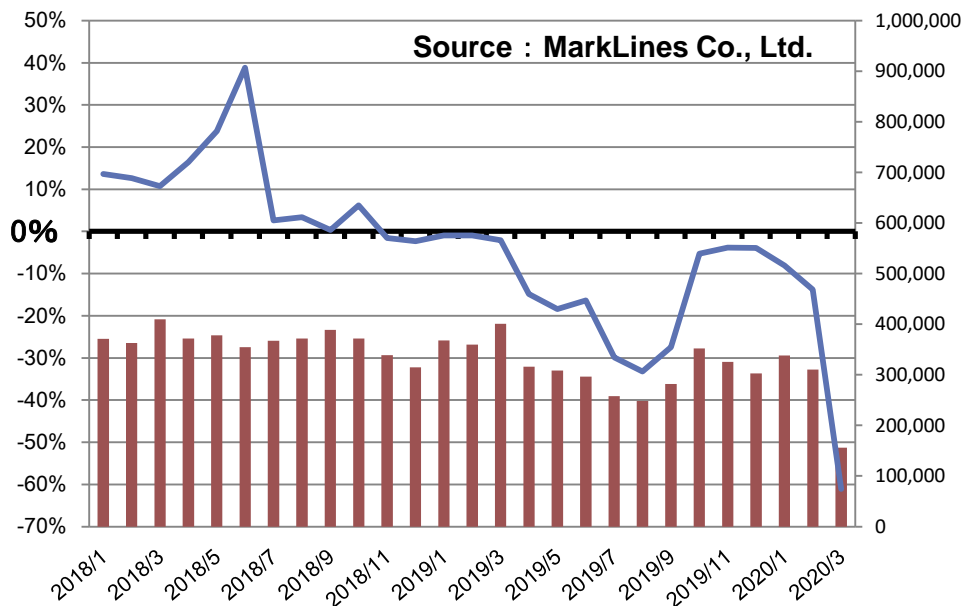


2018; Stable sales  
2019; Slowing sales due to the effects of labor strike  
and others  
2020/02 there is the sign of recovery  
2020/03 ▼37.9% on YoY basis due to COVID-19 impact

# Trends in Automobile Market

## Units of automobile sales in India

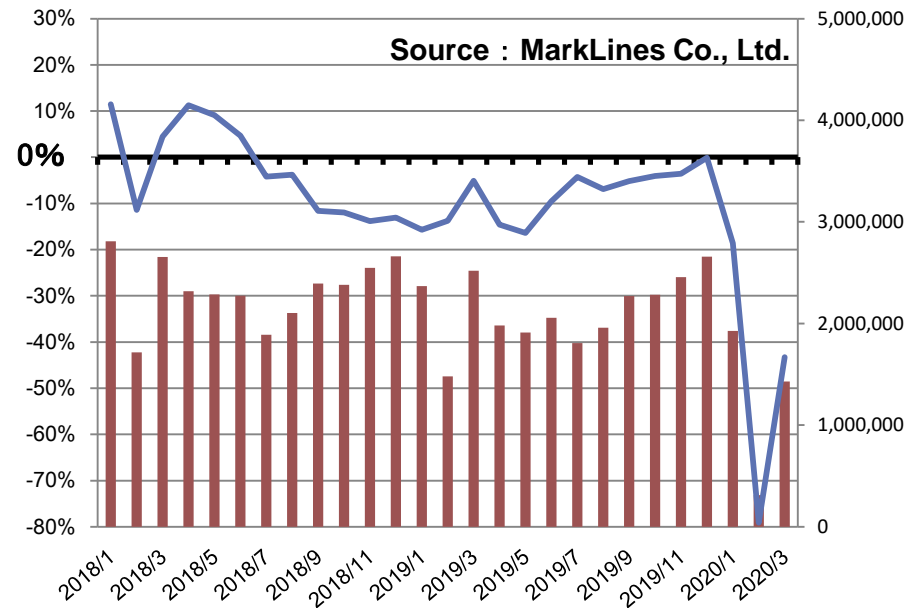
(Year-on-year rate )



Continuous drop since 2018/07 due to;  
 a) higher insurance premiums, b) higher fuel prices, c) tightening automobile loans, and d) deterioration of employment.  
 2019/10~ ; easing decline of sales  
 2020/03 ; ▼61.1% on YoY basis due to COVID-19 impact

## Units of automobile sales in China ( Factory shipment base )

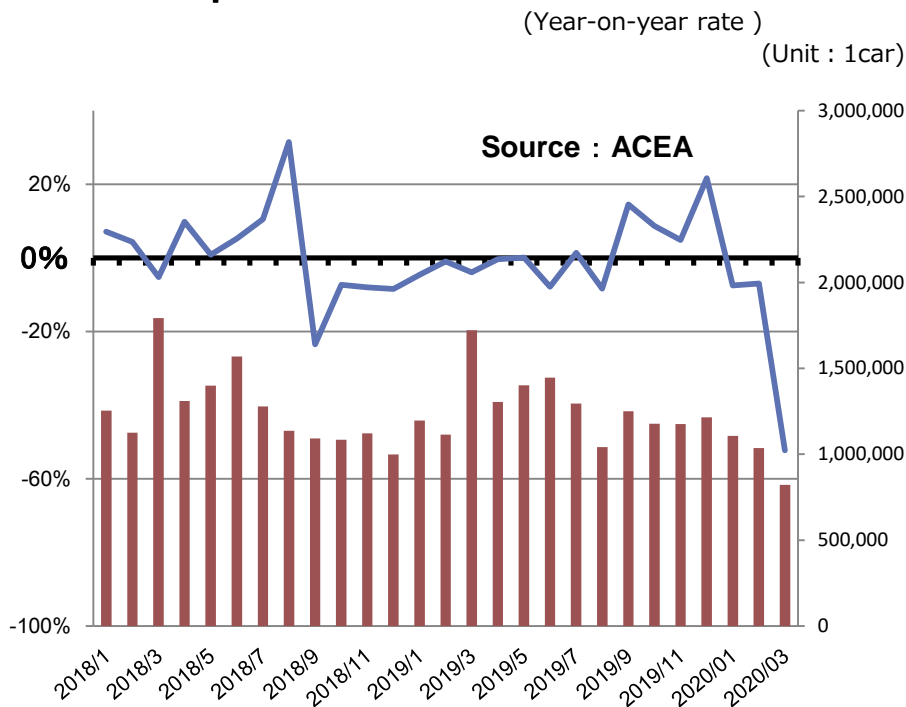
(Year-on-year rate )



Continuous drop due to; a) the effects of the U.S.-China trade dispute, and b) introduction of new emission restrictions in urban areas.  
 2019 summer ~ ; easing decline of sales  
 2020/02 ; ▼79.1% on YoY basis due to COVID-19 impact

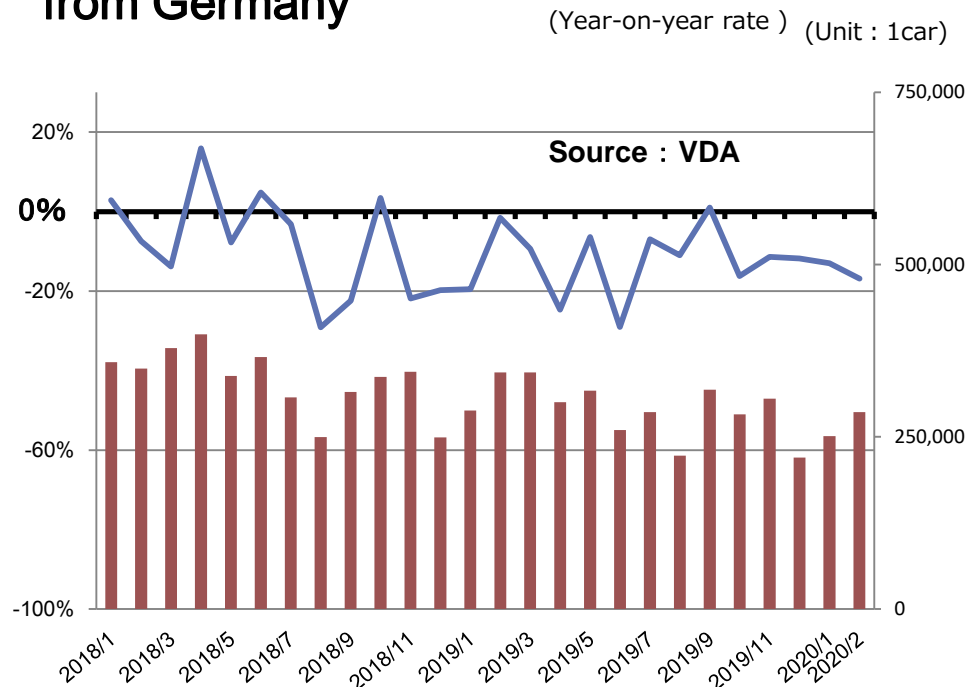
# Trends in Automobile Market

## Units of automobile sales in Europe



2018/09; Huge fluctuation due to WLTP.  
Stagnate tendency due to concern of Brexit, and U.S.-China trade dispute.  
Sign of recovery from 2019/09 though absolute number of units sold is mediocre.  
2020/03 ; ▼53% on YoY basis due to COVID-19 impact

## Units of automobile export from Germany

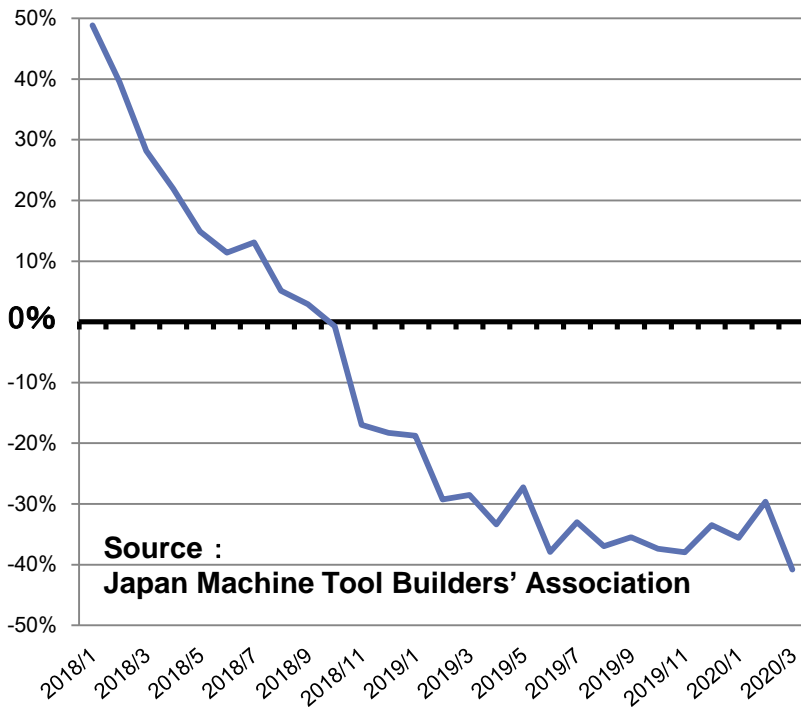


Continuous drop due to;  
a) demand decrease in China affected by the U.S.-China trade dispute.  
b) inventory adjustments.  
2020/02 ; ▼ 17% decrease on YoY basis

# Trends in Industrial Machinery market

## Sales amount of machine tool orders ( Japan )

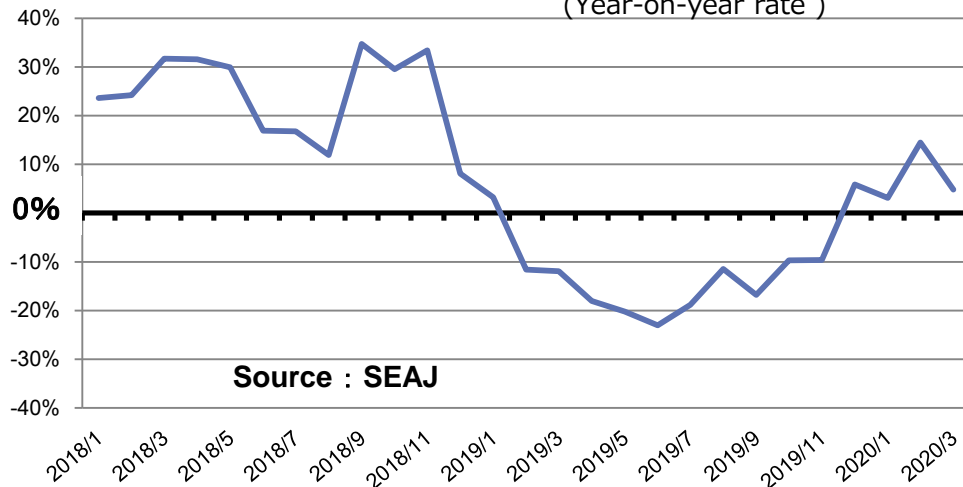
(Year-on-year rate )



2017 to 2018 1<sup>st</sup> Half; strong demand due to expanding production of smartphones in China.  
2018/10 ~ ; continuous drop due U.S.-China trade dispute, affecting multiple industries.  
Drop rate on YoY basis stays between ▼30% to ▼40% in recent months.

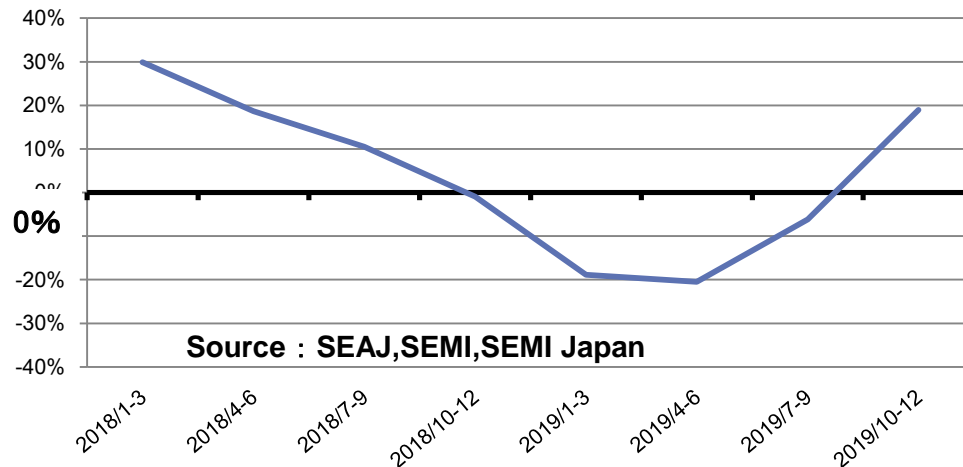
## Sales amount of semiconductor manufacturing equipment (Japanese equipment)

(3 month moving average)  
(Year-on-year rate )



## Sales amount of world wide semiconductor equipment

(Year-on-year rate )

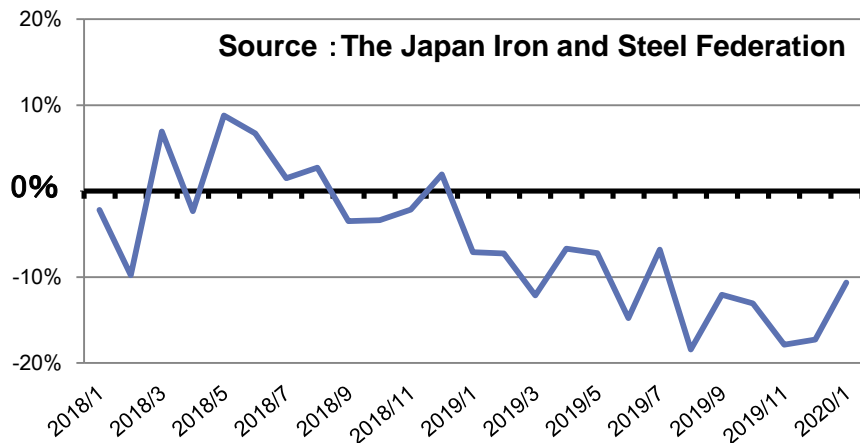


Through 2018; continuous drop due to U.S.-China trade dispute. Recovery from autumn 2019 attributable to increase of 5G related demand.

# Trends in Special Steel Market

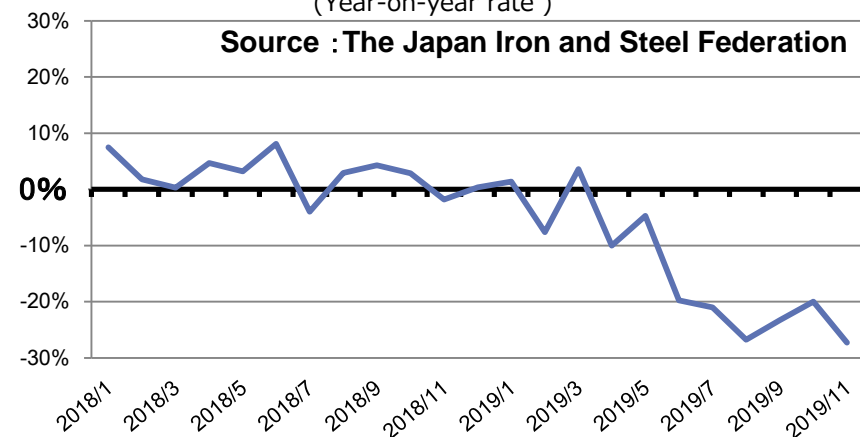
## Volume of order booked (Specialty steel products)

(Year-on-year rate )



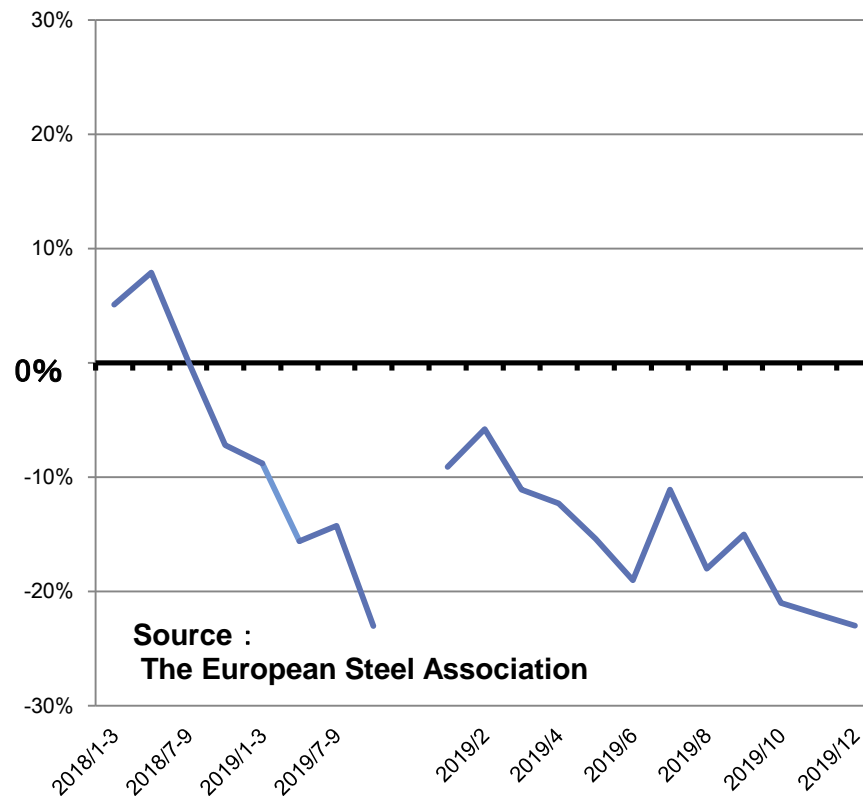
## Volume of order booked (Bearing steel)

(Year-on-year rate )



## Volume of European deliveries :Bars and Flats / Alloy Engineering Steel

(Year-on-year rate )

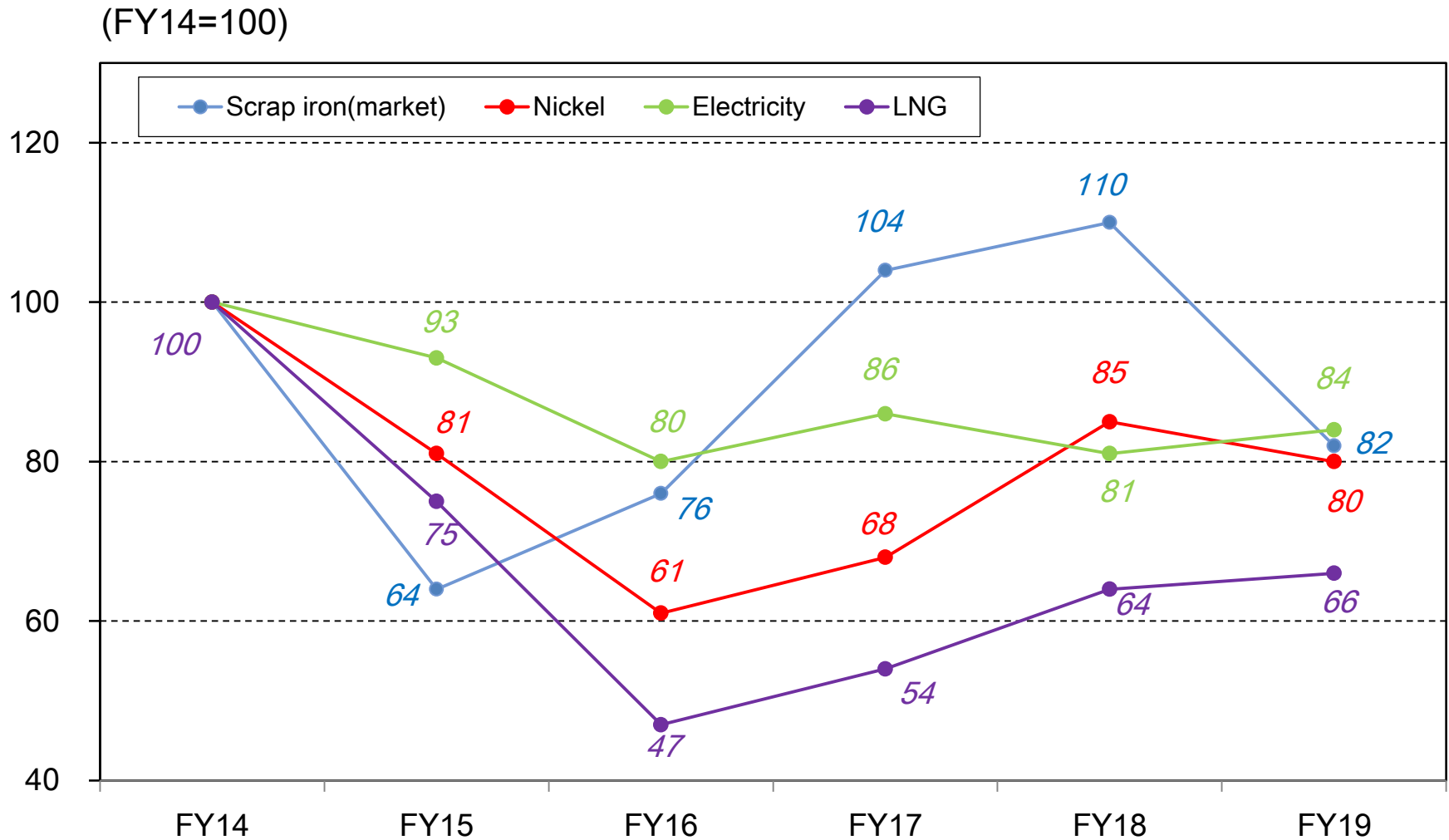


Regarding bearing steel, big negative trend due to 1) Sluggish global demand in the domestic automotive, construction machinery, industrial machinery, and semiconductors sectors, and 2) Huge inventory adjustment.

2018/10 ~ ; negative trend due to 1) Sluggish demand in the European automotive sector, and 2) Inventory adjustment in supply chain.



# Raw Materials and Fuel Prices



\* Based on purchase price

(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.