

Overview of Business Results

for the Fiscal Year Ending March 31, 2019
(April 2018 → March 2019)



“ **Special Steel** ” - specialized, and exists in everyday life

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

May 21, 2019



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

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Outline of Statements of Income

(Unit : Billion yen)

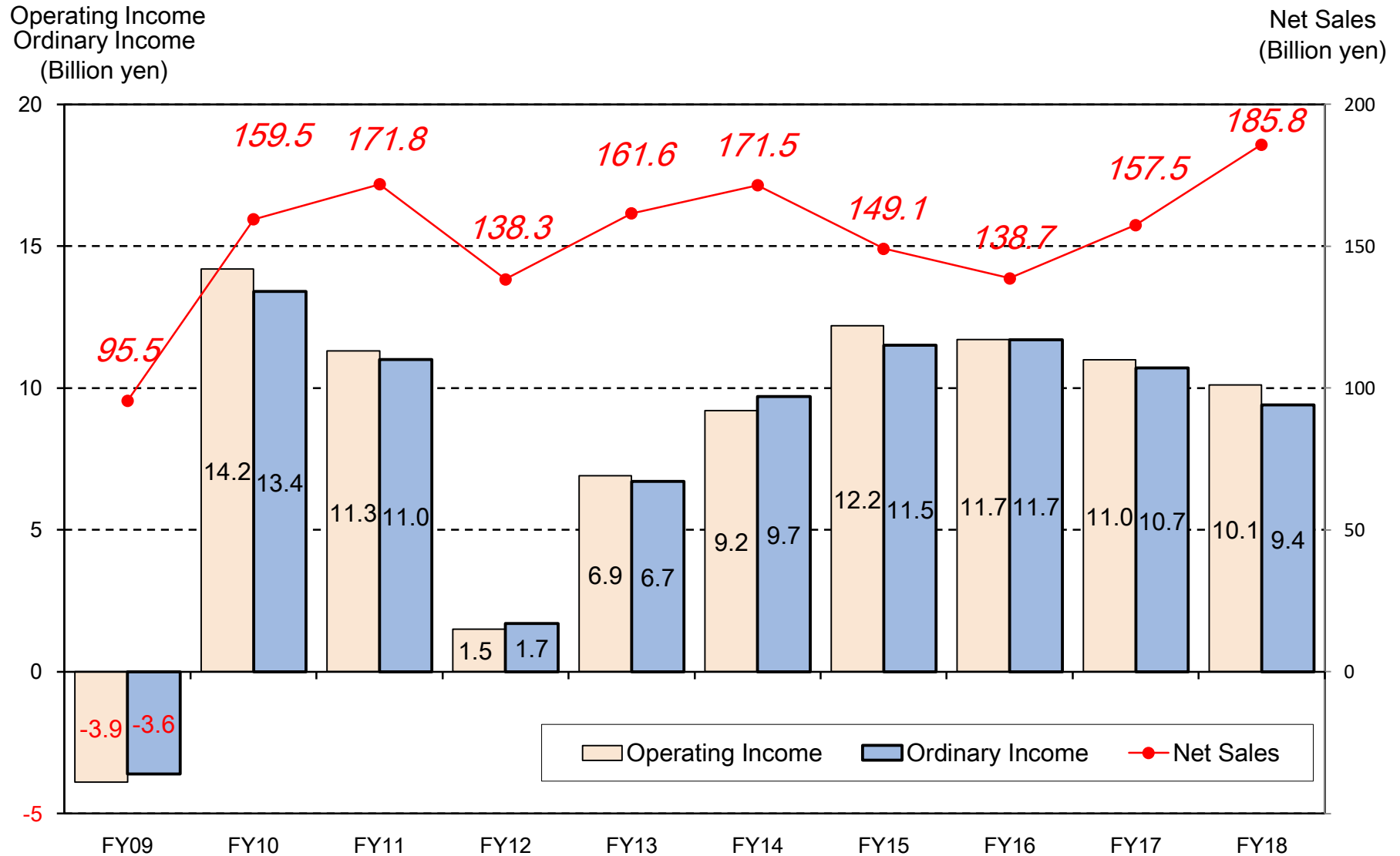
	FY18 (A)		FY17 (B)		Change (B) → (A)		FY18 Forecast As of October 31, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	185.8	100.0	157.5	100.0	+28.3	+18.0	185.0	100.0
Operating Income	10.1	5.4	11.0	7.0	-0.8	-7.7	10.0	5.4
Ordinary Income	9.4	<i>ROS</i> 5.1	10.7	<i>ROS</i> 6.8	-1.2	-11.5	9.5	<i>ROS</i> 5.1
Net Income* ¹	7.7	4.2	7.0	4.5	+0.7	+9.8	8.0	4.3
<i>Sales Volume</i> (Sanyo* ² +MSSSPL* ³) (Thousands of ton)	1,171	97.6 /month	1,069	89.1 /month	+102	+8.5 /month	1,181	98.5 /month
(Sanyo)	1,061	88.4 /month	1,069	89.1 /month	-8	-0.7 /month	1,071	89.3 /month

*1 Profit attributable to owners of parent. FY18 includes gains on step acquisition (1.5 billion yen) by making MSSSPL our subsidiary in June 2018.

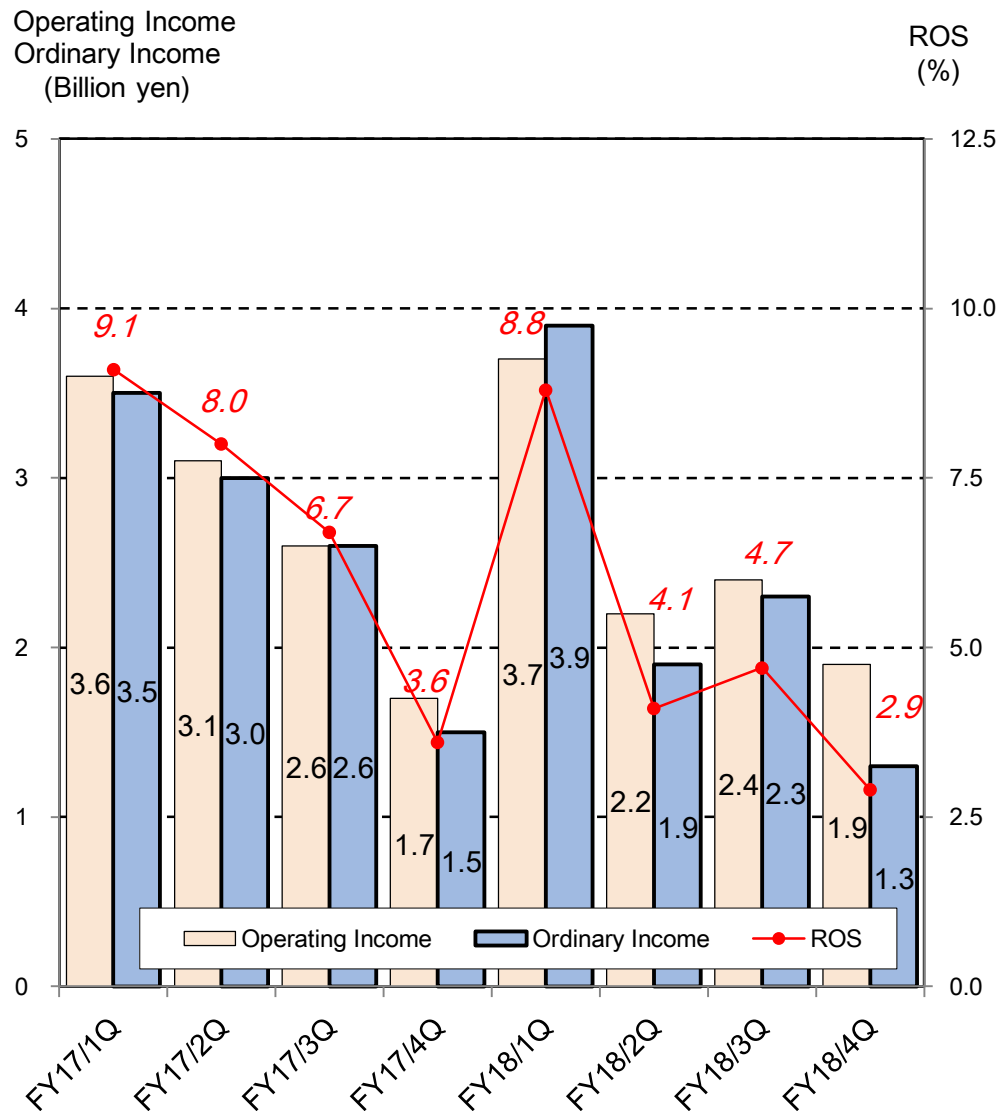
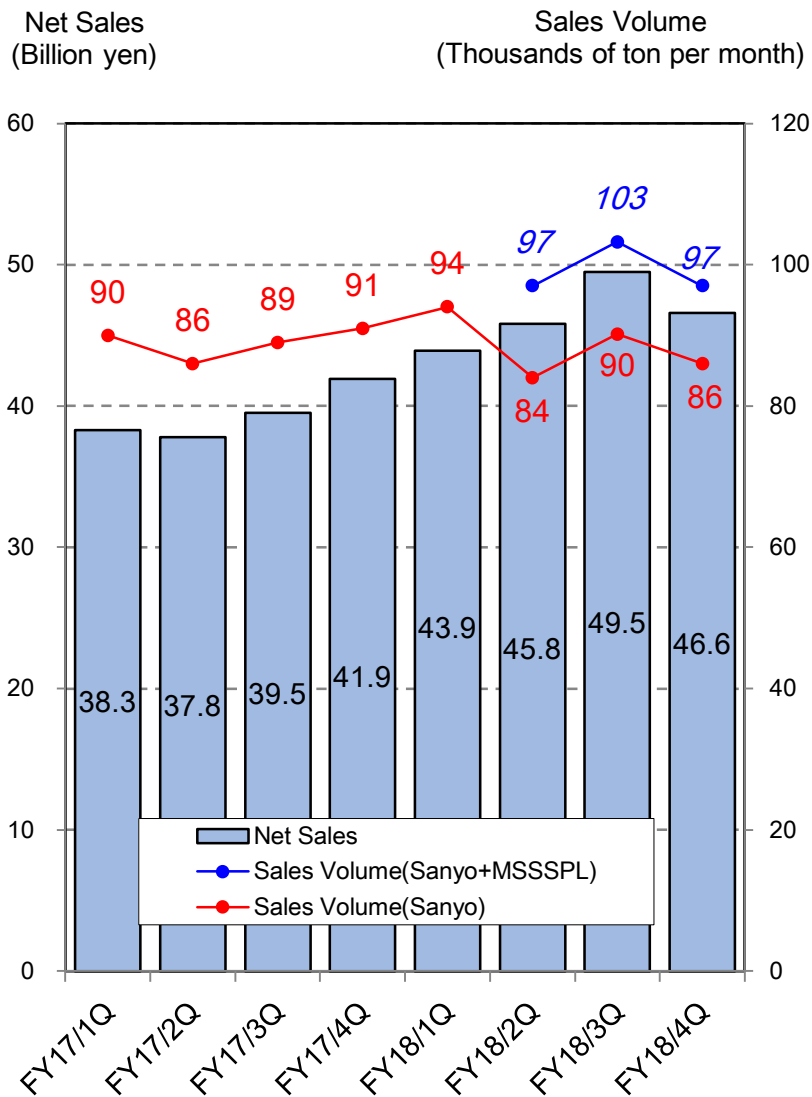
*2 Sanyo : Sanyo Special Steel Co., Ltd.

*3 MSSSPL : Mahindra Sanyo Special Steel Pvt. Ltd.

Net Sales and Income(fiscal)



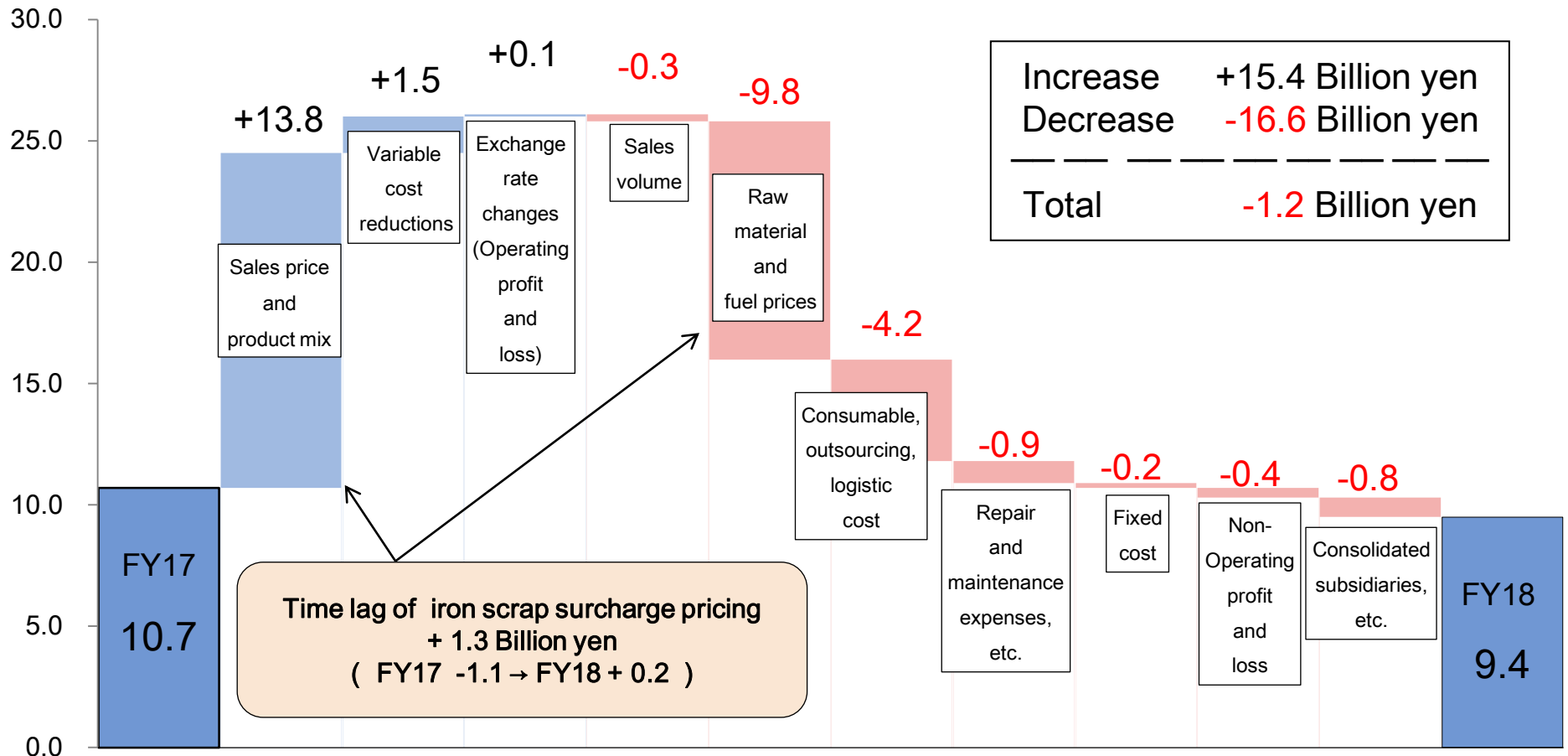
Net Sales and Income (quarterly)



Ordinary Income Variance Analysis

FY17(10.7) → FY18(9.4) (-1.2 Billion yen)

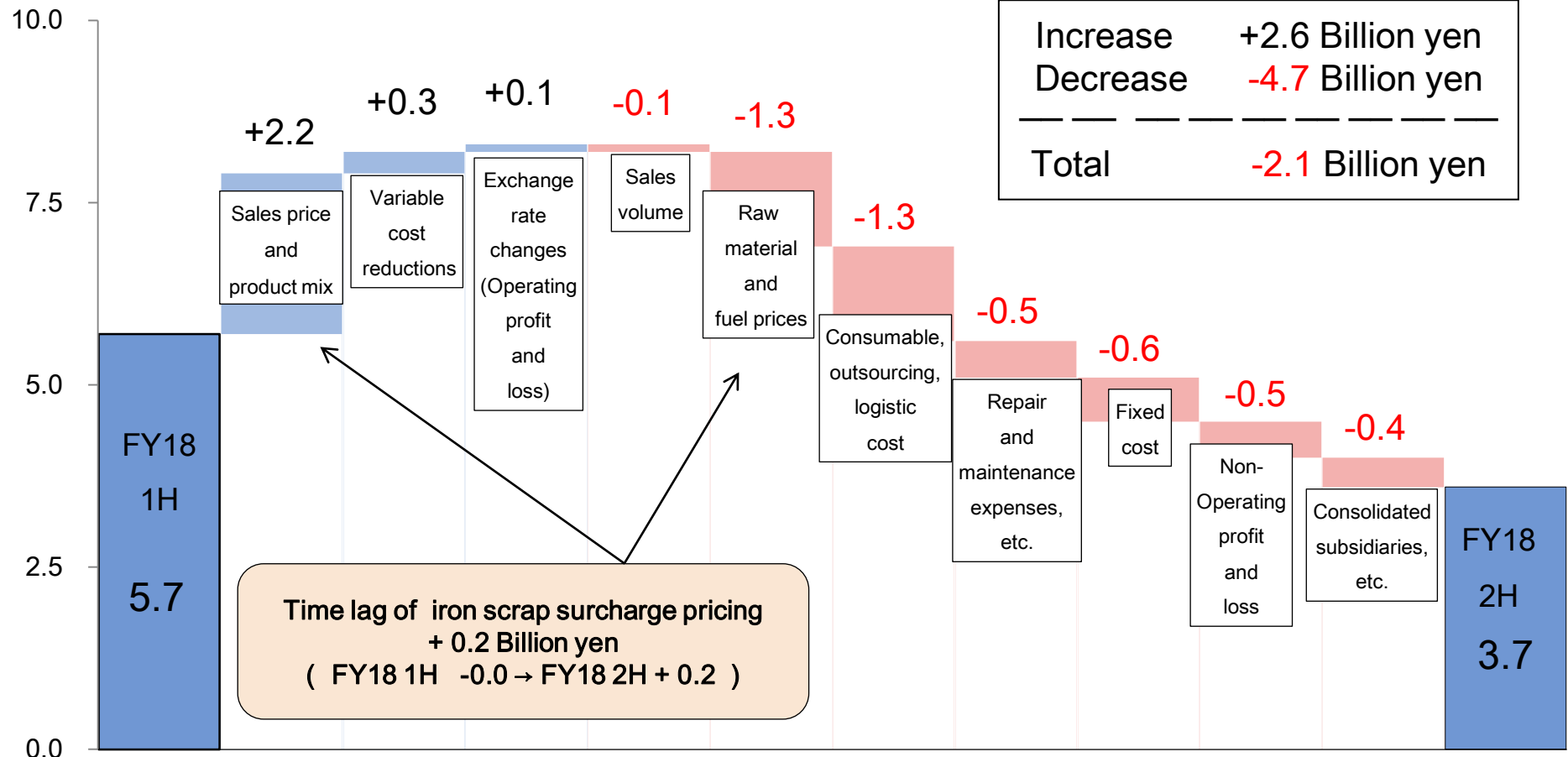
(Billion yen)



Ordinary Income Variance Analysis

FY18 1st Half(5.7) → FY18 2nd Half(3.7) (-2.1 Billion yen)

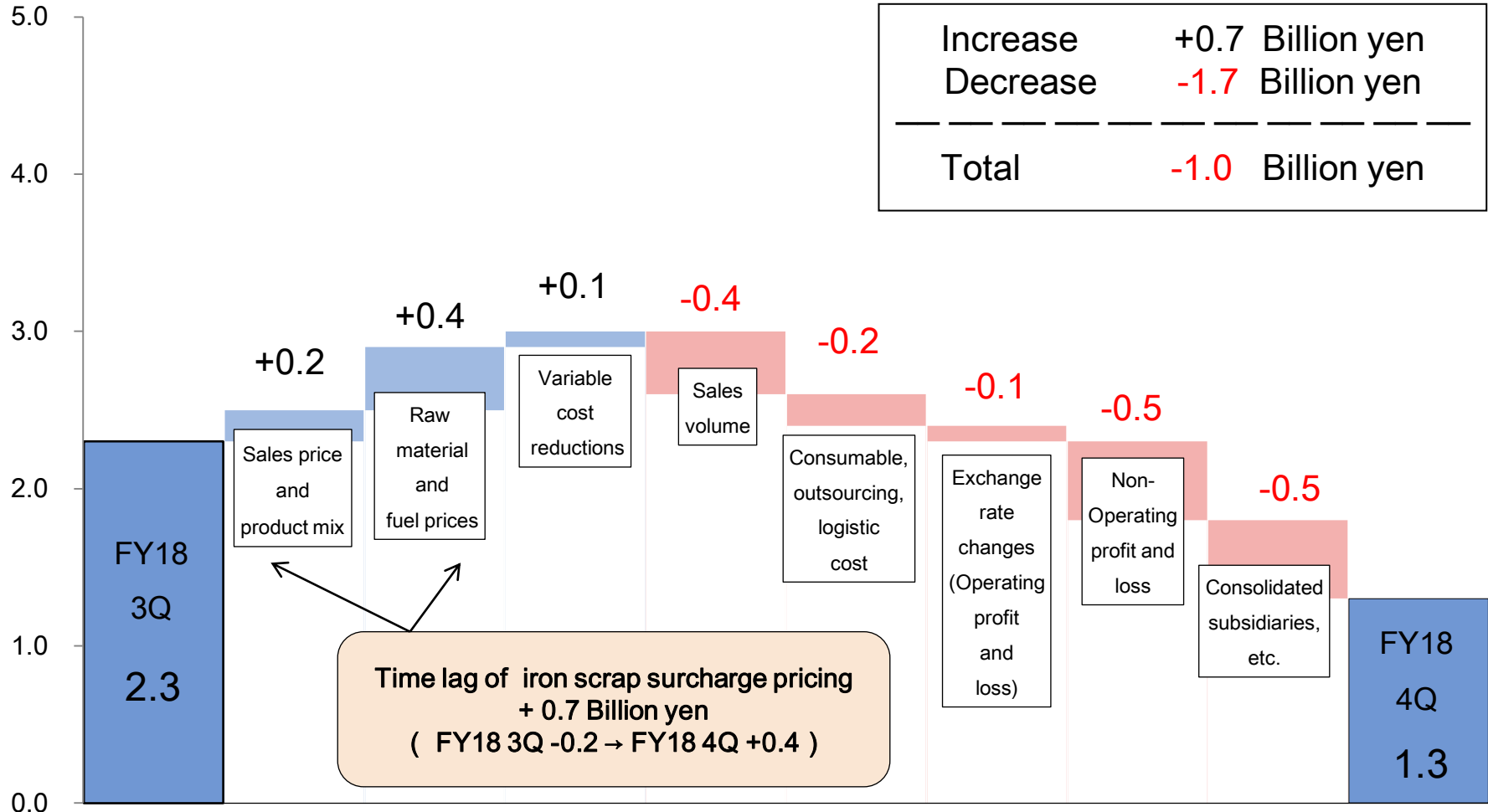
(Billion yen)



Ordinary Income Variance Analysis

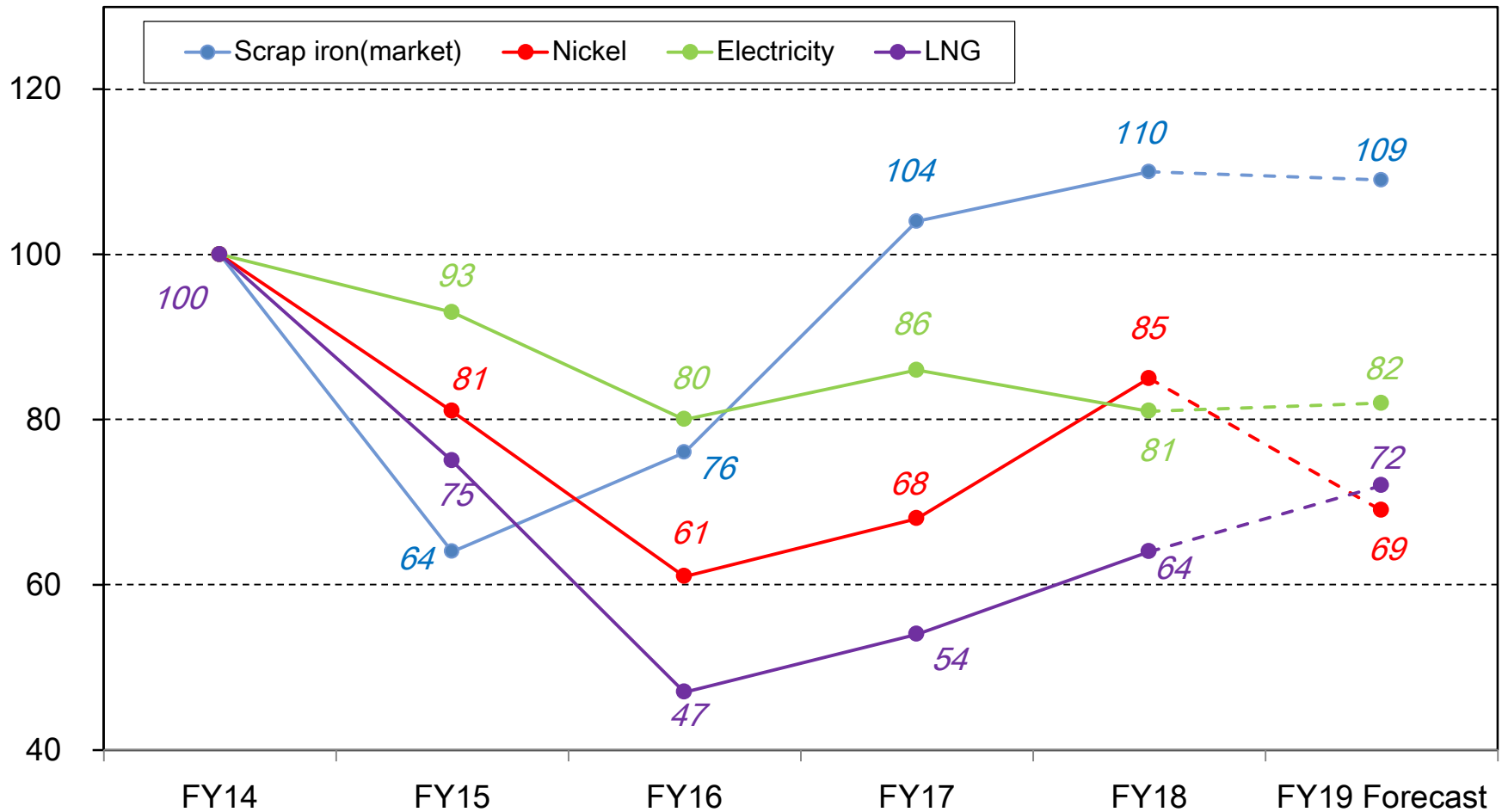
FY18 3Q (2.3) → FY18 4Q (1.3) (-1.0 Billion yen)

(Billion yen)



Raw Materials and Fuel Prices

(FY14=100)



* Based on purchase price

Earnings by Business Segment

(Unit : Billion yen)

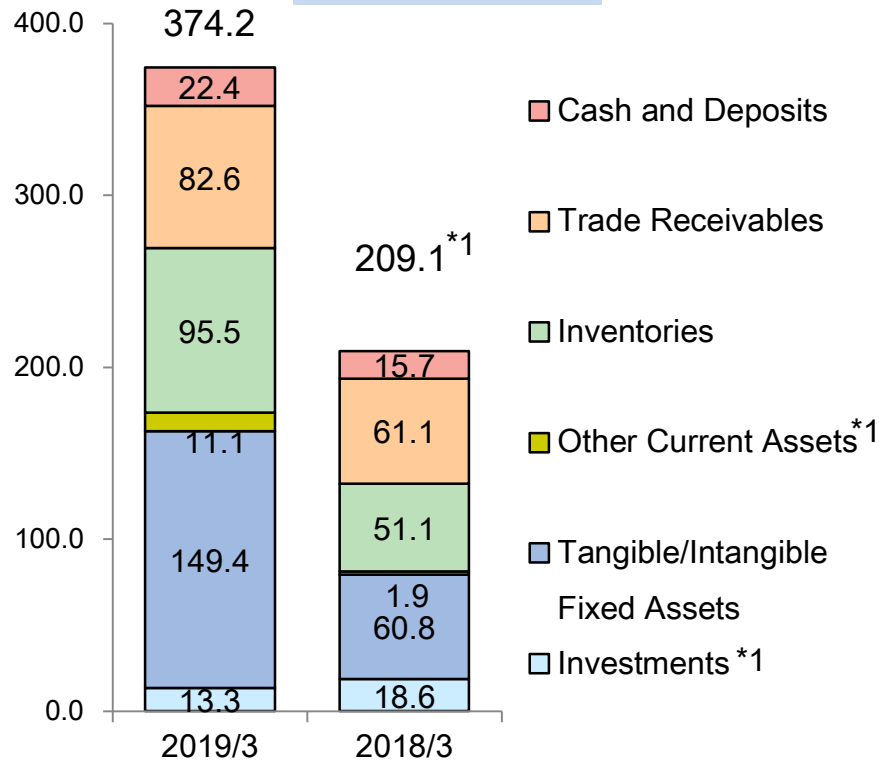
	FY18(A)			FY17(B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products*	170.2	8.5	5.0	142.0	9.2	6.5	+28.2	-0.8	-1.5
Metal Powders*	4.9	0.7	13.9	4.9	0.9	18.9	+0.0	-0.2	-5.0
Formed and Fabricated Materials*	20.0	0.9	4.4	18.4	0.7	3.8	+1.6	+0.2	+0.6
Sub-total	195.1	10.0	5.1	165.3	10.9	6.6	+29.8	-0.8	-1.5
Other	1.6	0.0	2.6	1.5	0.0	1.8	+0.1	+0.0	+0.8
Adjustments*	-10.9	0.1	—	-9.4	0.1	—	-1.6	-0.0	—
Consolidated Total	185.8	10.1	5.4	157.5	11.0	7.0	+28.3	-0.8	-1.6

* As a result of the management method change, adjustments of inventory value, which had been included in "Adjustments", are allocated to operating income of each reporting segment from FY18.

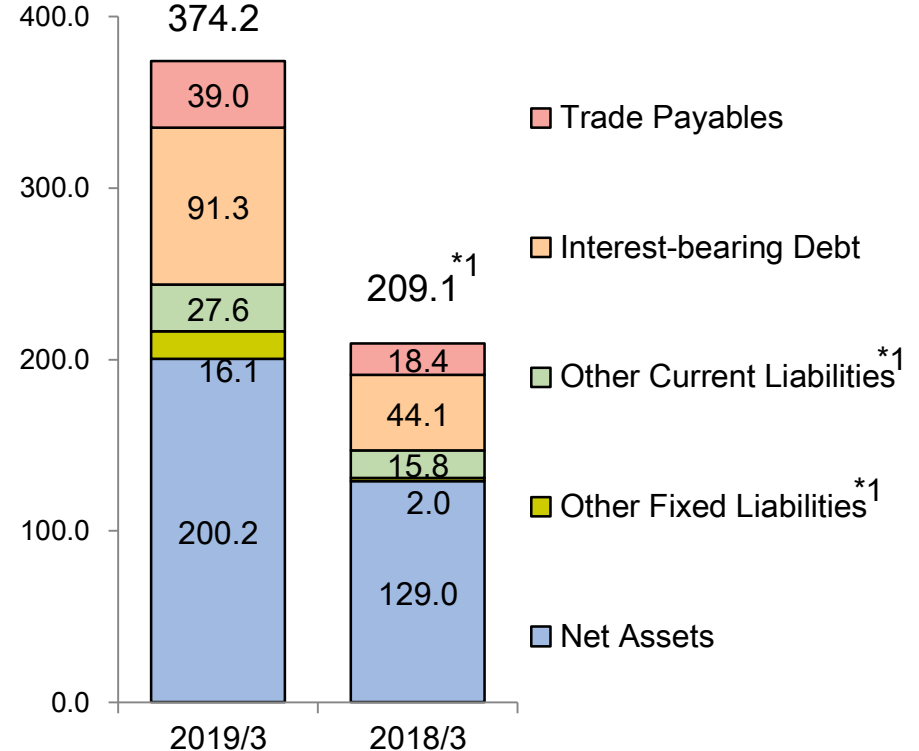
Segment information of FY17 is also described after this change.

Balance Sheets

(Billion yen)



(Billion yen)



Major changes in Assets +165.1 billion yen

Trade Receivables	+ 21.5
Inventories	+ 44.4
Tangible/Intangible Fixed Assets	+ 88.6

Major changes in Liabilities and Net Assets +165.1 billion yen

Trade Payables	+20.6
Interest-bearing Debt	+47.3
Net Assets	+71.2

*1 As a result of applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc. from FY18, the figures of FY17 have been adjusted.

*2 The impact of making Ovako and MSSSPL our subsidiaries is 161.3 billion yen.

Ovako 103.8 billion yen + MSSSPL 16.9 billion yen + Ovako’s goodwill 40.7 billion yen (*3)

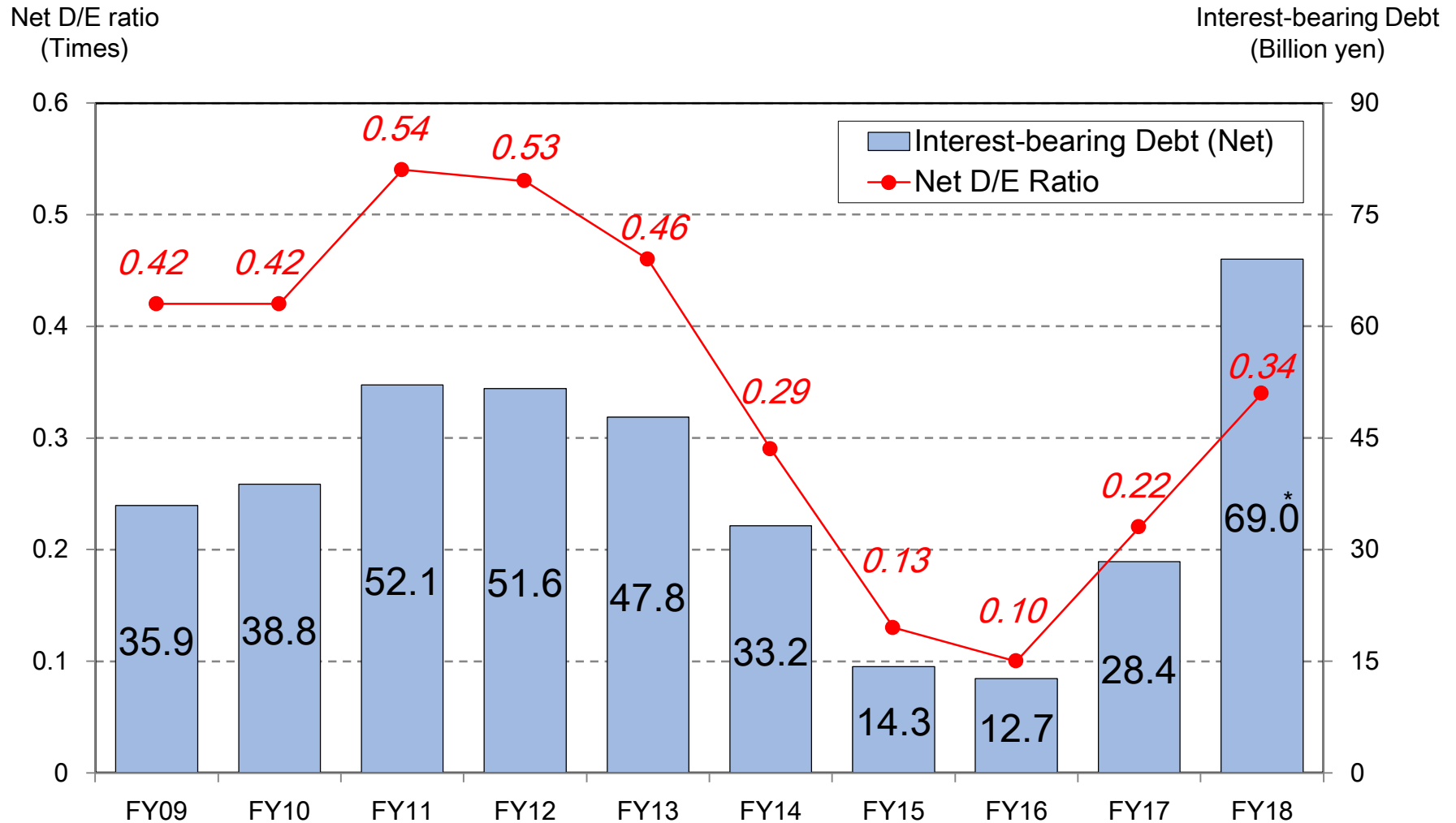
*3 Ovako’s goodwill amount is expected to change due to the adjustment of the share purchase amount.

Statements of Cash Flows

(Unit : Billion yen)

	FY14	FY15	FY16	FY17	FY18
Cash flows from operating activities (A)	20.7	28.8	15.1	-5.6	10.8
Net income before income taxes	10.2	11.1	11.5	10.3	10.4
Depreciation	9.8	9.3	9.1	9.0	9.3
Income taxes	-2.3	-4.8	-4.0	-3.7	-3.3
Working capital, etc.	3.0	13.1	-1.5	-21.2	-5.7
Cash flows from investing activities (B)	-5.9	-8.5	-11.1	-8.4	-69.0
Capital expenditure	-6.8	-7.1	-10.7	-8.0	-9.1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	—	—	-60.4
Others	0.9	-1.4	-0.4	-0.4	0.5
Free Cash Flows (A+B)	14.8	20.3	3.9	-14.0	-58.3
Cash flows from financing activities (C)	-17.4	-18.8	-10.8	14.7	65.9
Increase/Decrease in borrowings/bonds/commercial papers	-16.6	-16.7	-9.0	16.6	0.5
Proceeds from issuance of common shares	—	—	—	—	67.1
Purchases or Sales of treasury shares	-0.0	-0.0	-0.0	-0.0	-0.0
Cash dividends	-0.8	-2.1	-1.8	-2.3	-2.3
Others	—	—	—	0.4	0.5
Translation Difference (D)	0.3	-0.2	-0.3	-0.0	-0.2
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C+D)	-2.3	1.3	-7.1	0.8	7.5

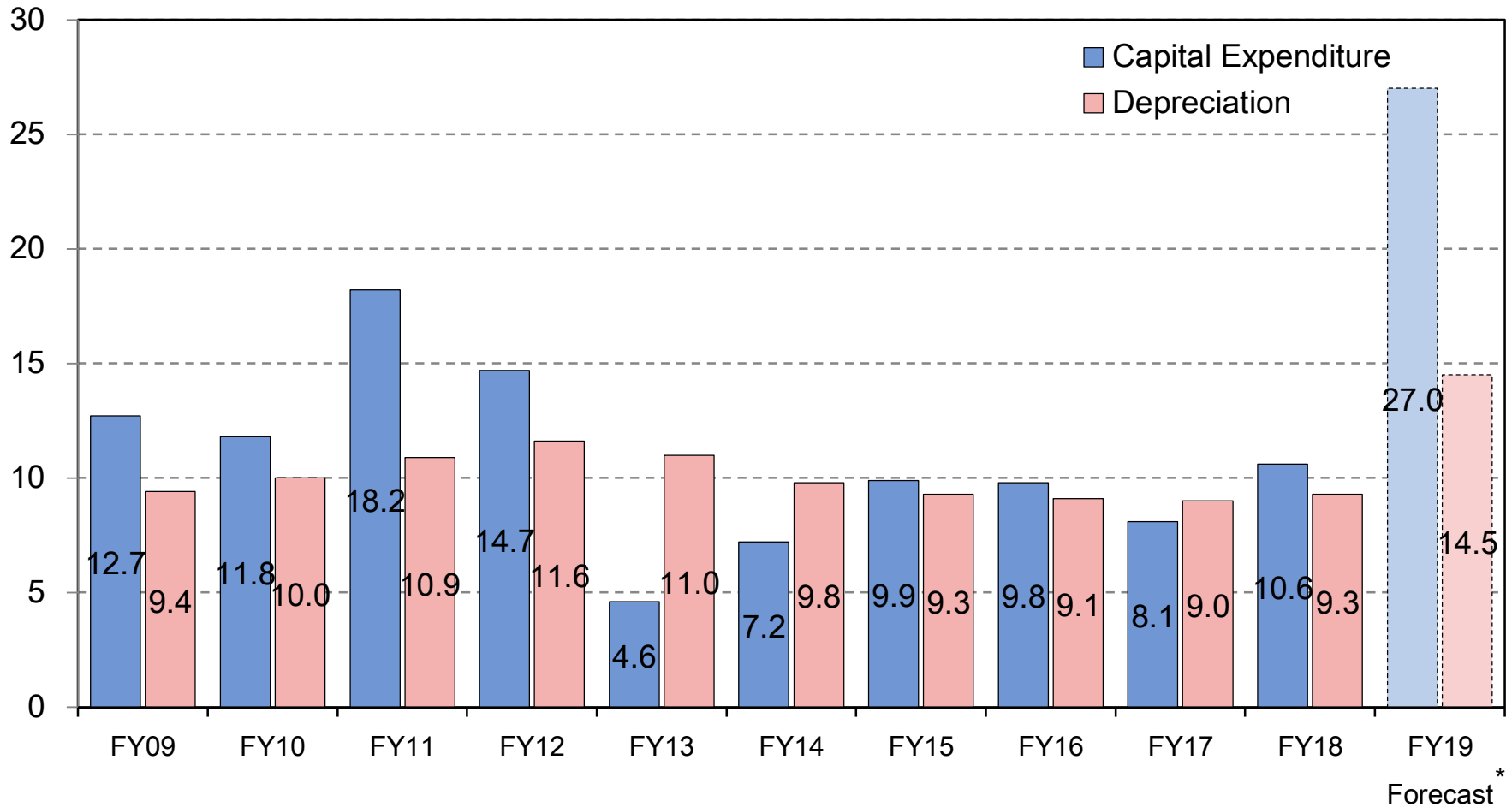
D/E Ratio



* 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 27.0 billion yen in FY19 includes 5.4 billion yen for Ovako and 1.2 billion yen for MSSSPL.
 Depreciation of 14.5 billion yen in FY19 includes 3.9 billion yen for Ovako and 0.5 billion yen for MSSSPL.

Dividend

			FY18	FY17	(Reference)
					FY18 Forecast As of October 31, 2018
Net Income *1		Billion yen	7.7	7.0	8.0
Earnings per share *2		¥/share	237.8	218.3	246.3
Annual dividend *2	A	¥/share	69.0	58.5	71.5
<i>Payout ratio</i> *3		%	<i>29.0</i>	<i>26.8</i>	<i>29.0</i>
Interim dividend *2	B	¥/share	45.0	33.5	45.0
Year-end dividend *2,4	A-B	¥/share	24.0	25.0	26.5

*1 Profit attributable to owners of parent

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

Earnings per share and dividends for FY17 are adjusted after the one-for-five reverse stock split .

*3 Payout Ratio . . . Dividend / Earnings Per Share

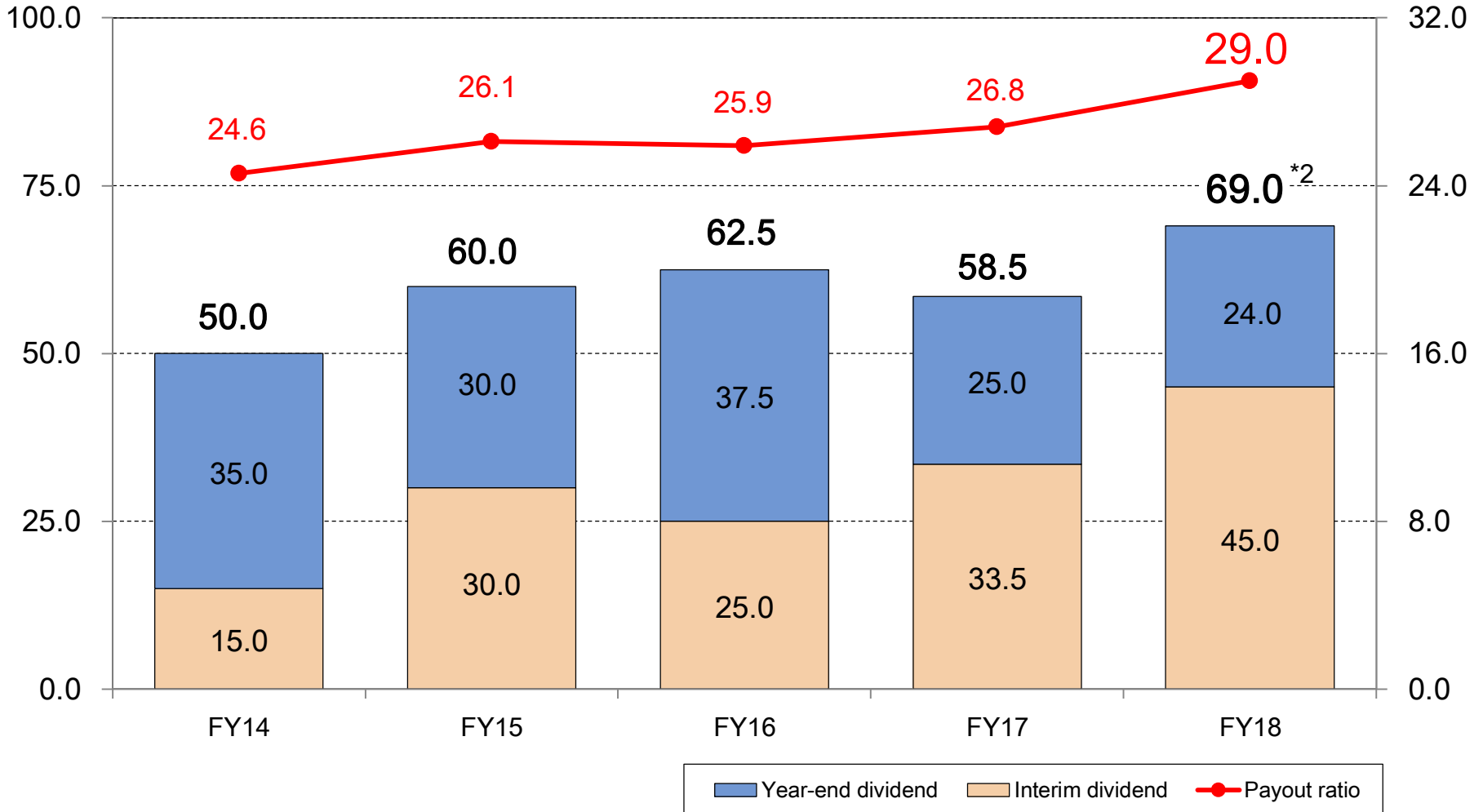
*4 Payment date of year-end dividends for FY18 : June 5, 2019

< Dividend Policy >

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

Dividend

(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 Annual dividend (69.0 yen/share) for FY18 is the highest level.

(13.8 yen/share before one-for-five reverse stock split)

Business Forecast for FY19

(Unit : Billion yen)

	FY19 1st Half (A)	FY19 2nd Half (B)	FY19 (C)=(A)+(B)		FY18 (D)		Change (D) → (C)	
	Amount	Amount	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	160.0	155.0	315.0	100.0	185.8	100.0	+129.2	+69.5
Operating Income	6.5	4.5	11.0	3.5	10.1	5.4	+0.9	+8.7
(Sanyo)	3.5	3.7	7.2	—	9.8	—	-2.5	—
(Ovako)	4.2	1.5	5.6	—	—	—	+5.6	—
(MSSSPL)	0.1	0.5	0.6	—	-0.2	—	+0.8	—
(Amortization of *1 Ovako's goodwill)	-1.4	-1.4	-2.7	—	—	—	-2.7	—
Ordinary Income	6.0	4.0	10.0	<i>ROS</i> 3.2	9.4	<i>ROS</i> 5.1	+0.6	+6.0
Net Income*2	4.6	2.4	7.0	2.2	7.7	4.2	-0.7	-9.3

*1 Amortization of goodwill arising from the acquisition of Ovako shares (15 year straight-line method)

*2 Profit attributable to owners of parent

Major assumptions

- Scrap iron 32,000 yen/t (H2 market price in Himeji area)
- Crude oil(Dubai) 70\$/BL • Exchange rate 110 yen/USD ,125 yen/EUR

(Reference)

	FY19 1st Half	FY19 2nd Half	FY19		FY18		Change	
	kt/H	kt/H	kt/Y	kt/M	kt/Y	kt/M	kt/Y	kt/M
<i>Sales Volume</i>	990	960	1,950	162.5	1,171	97.6	+779	+64.9
(Sanyo)	516	528	1,044	87.0	1,061	88.4	-17	-1.4
(Ovako)	405	345	750	62.5	—	—	+750	+62.5
(MSSSPL)	69	87	156	13.0	110	9.2	+46	+3.8

Dividend Forecast for FY19

			FY19 1st Half Forecast	FY19 2nd Half Forecast	FY19 Forecast	(Reference) FY18 Result
Net Income* ¹		Billion yen	4.6	2.4	7.0	7.7
Net Income before amortization of Ovako's goodwill		Billion yen	6.0	3.8	9.7	
Earnings Per Share	A	¥/share	81.8		124.5	237.8
Earnings Per Share before amortization of Ovako's goodwill	B	¥/share	105.8		172.5	
Dividend	C	¥/share	31.7	20.0	51.7	69.0 (Interim 45.0 Year-end 24.0)
Payout Ratio* ²	C/B	%	30.0		30.0	
	C/A	%	38.7		41.5	29.0

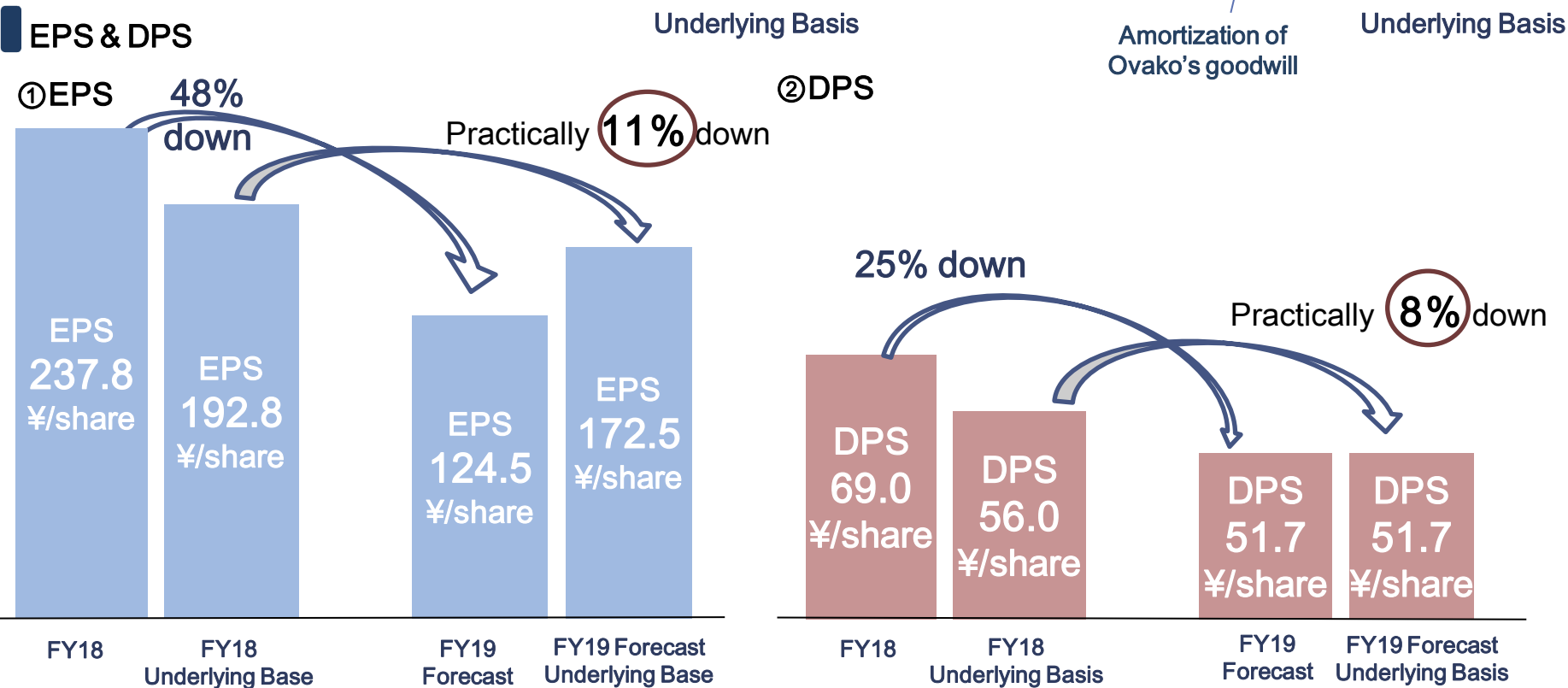
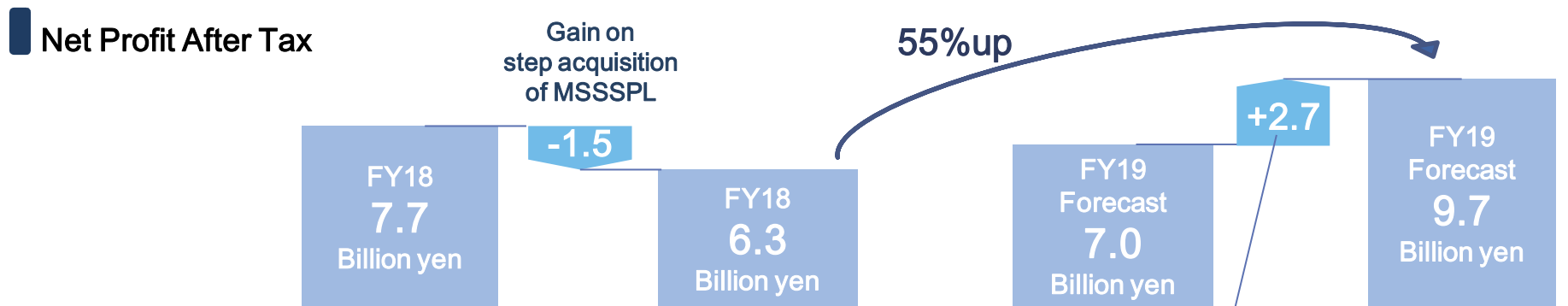
*1 Profit attributable to owners of parent

*2 Payout Ratio . . . Dividend / Earnings Per Share

< Dividend Policy >

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

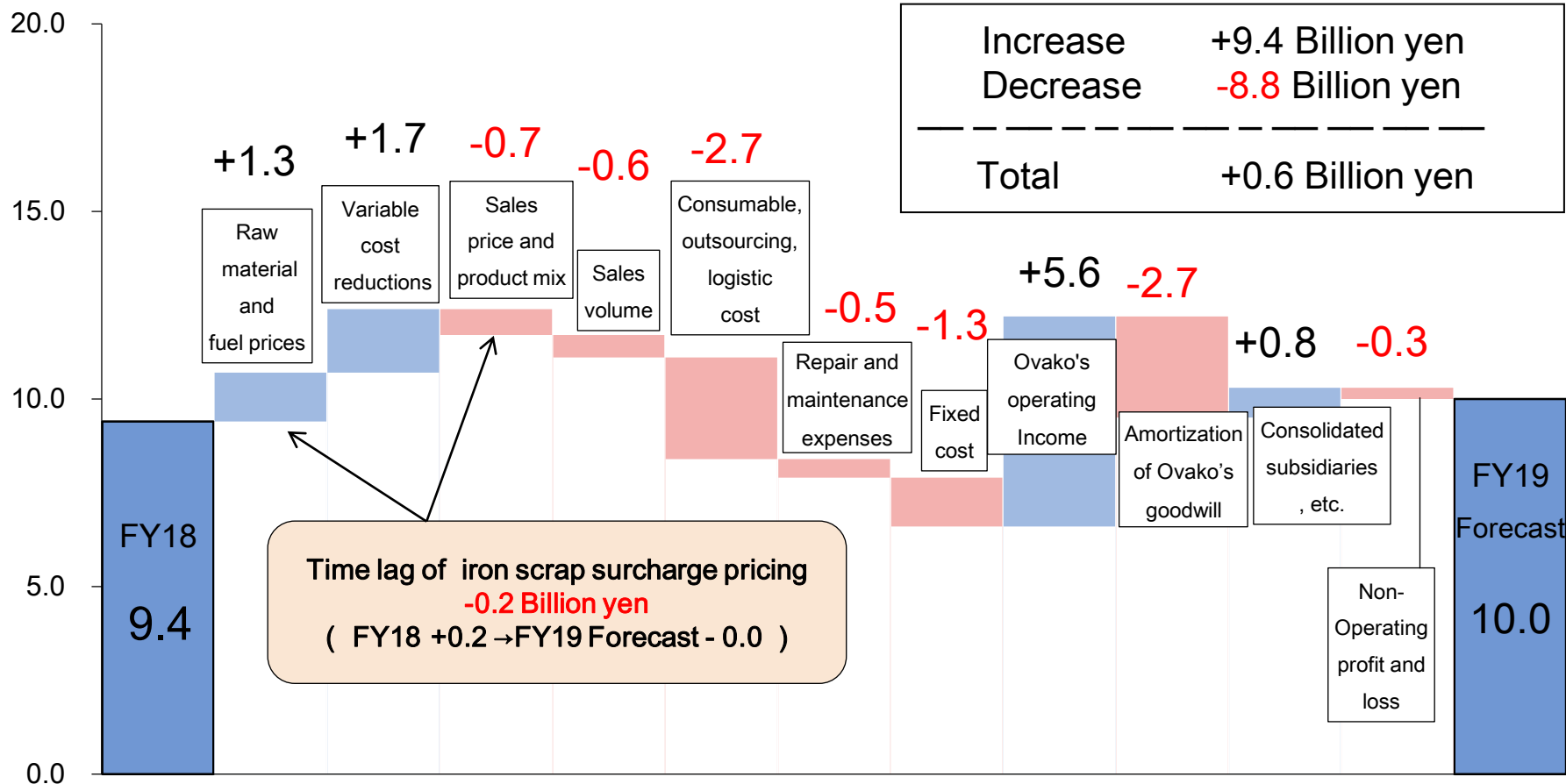
EPS & DPS



Ordinary Income Variance Analysis

FY18 (9.4) → FY19 Forecast (10.0)(+0.6 Billion yen)

(Billion yen)



Changes in Financial Indicators

		FY14	FY15	FY16	FY17	FY18
ROE (Net Income to Net Assets)	%	6.1	6.6	6.6	5.6	4.8
ROS (Ordinary Income to Net Sales)	%	5.7	7.7	8.5	6.8	5.1
ROA (Ordinary Income to Total Assets) *1	%	4.8	6.0	6.5	5.4	3.2
Equity Ratio*1	%	55.8	62.4	66.7	61.0	52.3
Interest-bearing Debt (Net)	Billion yen	33.2	14.3	12.7	28.4	69.0
Net D/E Ratio *2	Times	0.29	0.13	0.10	0.22	0.34
Earnings Per Share*3	¥/share	203.0	230.0	241.5	218.3	237.8
Net Assets Per Share*3	¥/share	3,498	3,483	3,797	3,961	3,481
Number of Employees at End of Period*4	Persons	2,706	2,625	2,598	2,666	6,835

*1 As a result of applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc. from FY18, the figures of FY17 have been adjusted.

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

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

Earnings Per Share and Net Assets Per Share are adjusted after the one-for-five reverse stock split .

*4 Number of Employees for FY18 increased by making MSSSPL in June 2018 and Ovako in March 2019 our subsidiaries.

Other Topics

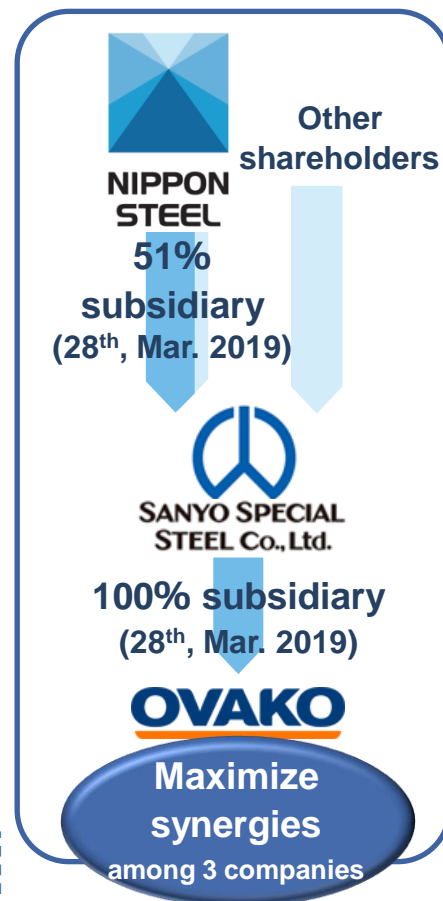
(1) Completion of Making Sanyo a Subsidiary of Nippon Steel Corporation and Making Ovako a Subsidiary of Sanyo

- We conducted the following transactions on March 28, 2019.
 - 1) Making Sanyo a Subsidiary of Nippon Steel
Sanyo's third-party allotment underwritten by Nippon Steel for procuring funds to acquire all the shares of Ovako
 - 2) Making Ovako a Subsidiary of Sanyo
Transfer of all the shares of Ovako to Sanyo from Nippon Steel

<Ovako's Factory Appearance>



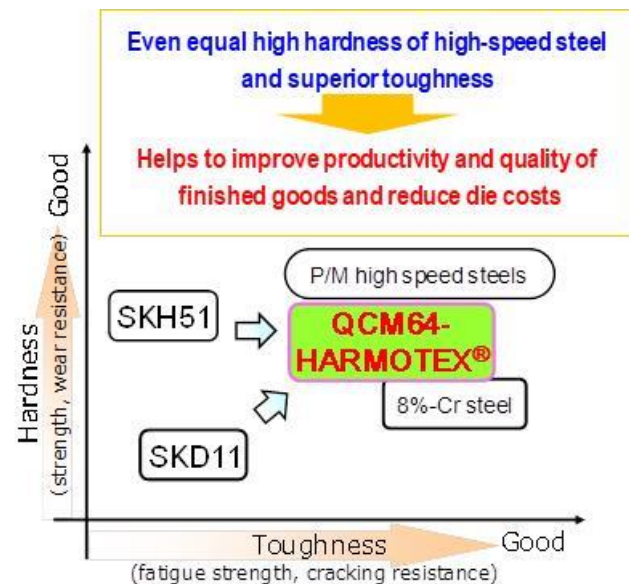
< Ovako's Locations >



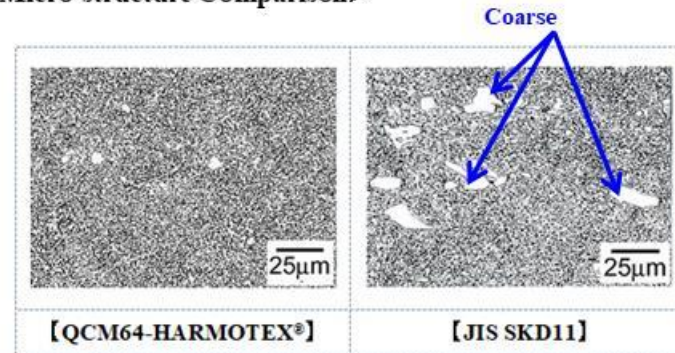
Other Topics

(2) Development of cold-work tool steel QCM64-HARMOTEX®

- We developed QCM64-HARMOTEX®, a steel that combines the high hardness of 64 HRC Class and superior toughness, to meet the demand for cold-work tool steel with higher performance properties.
- We discovered the optimum alloy composition to control crystallization in coarse carbides by using outstanding precipitated carbides control technology, therefore we realized the high hardness and superior toughness.
- Features of QCM64-HARMOTEX®
 - High hardness and superior toughness that are far excellent than the JIS SKD11
 - Contributing to improve the service life of cold-work tools and the quality of finished products
 - Outstanding performance under the heat treatment conditions as general purpose cold-work tool steel
 - Contributing to save on the manufacturing costs for cold-work tools



<Micro-structure Comparison>



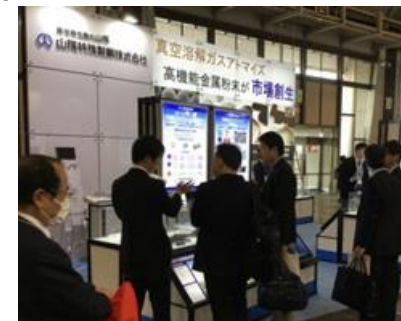
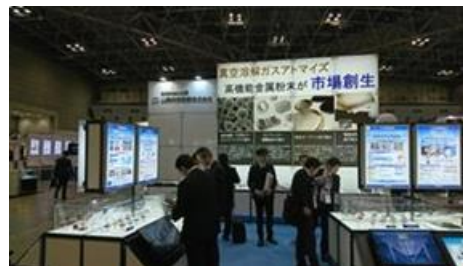
*1 HRC ...It is a unit that expresses the hardness of steel on the Rockwell hardness scale.
The hardness of annealed material is typically around 20 HRC.

*2 High-speed Steel ...It is a grade of steel that was originally made for tools used to cut steel
— a grade that exhibits a high level of hardness and outstanding wear resistance.

Other Topics

(3) TCT JAPAN (Tokyo) and Manufacturing World Expo (Nagoya)

- We exhibited TCT JAPAN in January 2019 and Manufacturing World Expo in April 2019 respectively.
- We exhibited highly functional gas-atomized metal powders, powder metallurgy products, examples of moldings by 3D printing etc.
- Our exhibition attracted much interest from visitors.



* TCT ... Time Compression Technology by applying additive manufacturing, 3D printing, design and engineering technology.

(4) 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program

- We are recognized as a 2019 health & productivity management outstanding organizations (large enterprise category) by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi in February 2019.
- Our efforts have been appreciated for promoting safety and health of employees as the top priority for business activities and workplaces where employees can work lively.
- We will continue to promote the creation of safe and healthy workplaces.





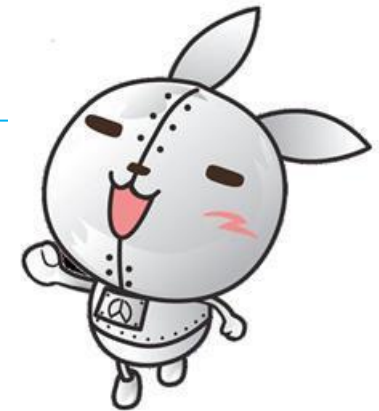
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Special Steel creates the future

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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)

