



2025 Medium-term Management Plan

April 30, 2021

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

2025 Medium-term Management Plan

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1. Business Environment and Basic Concept

(Domestic) <Business Environment>

- Specialty steel demand in Japan is expected to decrease due to changes in the social structure such as aging demographics.
- Exports of specialty steel, whether direct or indirect, are also expected to decline due to the growing needs of local production for local consumption and reassessment of the global supply chain.

(Global)

- On global basis, demand for specialty steel is expected to increase mainly in China and India.
- Competition will intensify with domestic and overseas specialty steel manufacturers due to changes in the social and industrial structure, such as increase of electrical vehicles (EV) etc.
- Quest for raw materials will intensify, particularly in the area of steel scrap due to the surge of electric furnaces operations to lessen carbon emission.

<Basic Concept>

- Establish a lean and robust corporate structure securing stable earnings by strengthening the business foundation, and further enhance corporate value in the global specialty steel market.

2. Basic Policies (I)

1. Fortifying corporate value in the global specialty steel market

- Based on a compelling sense of crisis and urgency that we face an evident turning point of the business environment, we will strengthen the cost competitiveness of the group as a whole by reducing both fixed and variable costs.
- We will also improve sales margins, upgrade sales mix, and secure and heighten our global market position.

2. Reinforcing profitability of overseas businesses

- Ovako will reinforce its lean and robust corporate structure, primarily by refining its cost-competitiveness.
- MSSS will further enhance its position in the Indian market by reinforcing its sales strategy and cost-competitiveness.



3. Utilizing synergies with Nippon Steel and Ovako

- We will realize full synergies by FY2024 as planned by swift implementation of collaborative measures in all areas including sales, production, procurement, etc.

2. Basic Policies (II)

4. Expanding technological superiority

- With the strength of our high-cleanliness steel, we will aim to respond to new requirements and environmental challenges arising from changes in the social and industrial structure.
- In particular, we focus on intensifying technologies that can respond to further reliability and consistency requirements in fields such as EV, wind power, railways, and hydrogen society, expected to expand globally.



5. Achieving carbon neutrality by 2050

- We will aim to achieve carbon neutrality by 2050, through the promotion of "eco-processes (energy conservation and higher efficiency in production)", "green energy utilization", "eco-products (further reliable and consistent products for long-life bearings used in automobiles, wind power, railroads, and metal powders for 3D printers etc.)", and "eco-solutions" (sharing energy-saving technologies and productivity improvements among Ovako and MSSS)."
- We inaugurated the "Zero Carbon Promotion Committee" headed by our president and CEO, for promoting and accomplishing carbon neutrality of the whole group.



6. Promoting digital transformation (DX)

- Utilizing latest digital technologies, we will further promote optimum operations (ex. operational efficiency improvement and preventive maintenance by AI and IoT), quality improvement (ex. detection accuracy improvement by AI), labor productivity improvement (ex. automation by RPA), safety education (by VR), etc.

2. Basic Policies (III)

7. Strengthening governance system and promoting diversity and health management

- We will strengthen our corporate governance system to meet the qualifications of the Tokyo Stock Exchange prime market (from spring 2022).
- We will promote diversity management (extension of the retirement age to 65 years, further women empowerment, and nurturing global human resources) and health management with the aim of enabling all employees to succeed and develop regardless of their individual background or preference.



8. Boosting profitability of Formed & Fabricated Products and Metal Powder Businesses

- We will leverage the advantage of the integrated forging-turning manufacturing process to enhance the profitability of the Formed & Fabricated Products Business.
- We will develop and expand sales of strategic items in the area of advanced information technologies such as 5G and carbon neutrality etc. to boost the return in the Metal Powder Business.

9. Rearranging global corporate structure

- We will rearrange the global corporate structure through further reorganization, consolidation and divestment.

3. Financial Targets (Consolidated)

FY2025 earnings plan

- Net sales : Approx. 280 billion yen
- Ordinary income : Approx. 14 billion yen [Approx. 16.3 billion yen*]
- ROS : Approx. 5% [Approx. 6%*] *before amortization of goodwill
- ROE : Approx. 5% [Approx. 6%*]

[Key Assumptions] Iron scrap (purchase) 40,000 yen/t (Himeji area H2 market), Crude oil (Dubai) 60\$/BL,
Exchange rate 100 yen/\$, 112 yen/€

FY2025 financial indicators

- Equity ratio : Approx. 60% (FY2019 result: 54%)
- D/E ratio (Net) : Approx. 0.2 times (FY2019 result: 0.27 times)
- D/EBITDA (Net) : Approx. 1 time (FY 2019 result: 2.9 times)

Shareholder returns

- We will aim a dividend payout ratio of around 30% against net income before amortization of goodwill.

4. Comparison with previous medium-term

<Previous medium-term (FY2017-FY2019)>

- We achieved to significantly expand our corporate scale through business restructuring, including the acquisition or consolidation of Ovako (March 2019) and MSSS (June 2018). In terms of earnings, we regrettably recorded a deficit in FY2019, mainly due to the economic downturn partly caused by conflicts between the United States and China, etc.

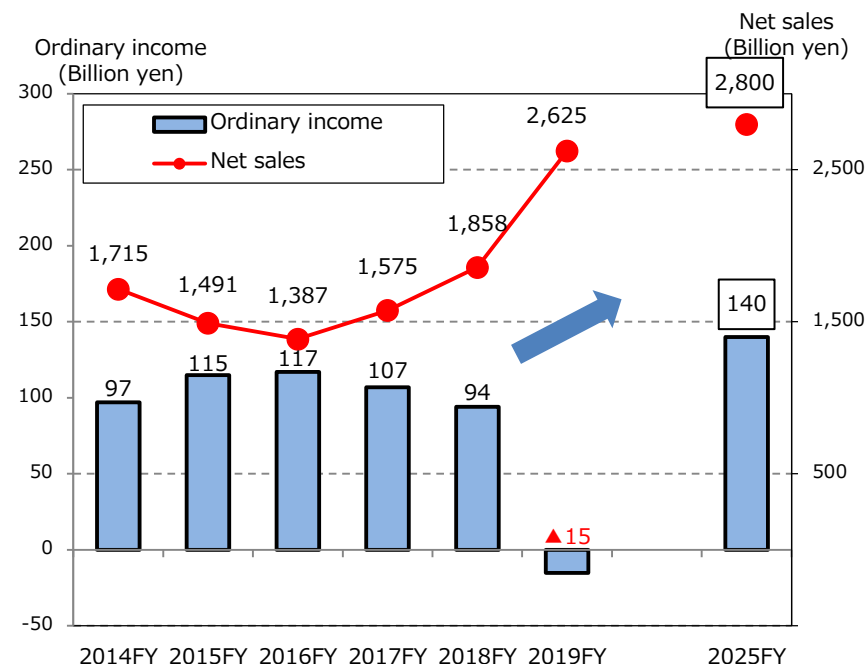
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- We will aim to further increase corporate value by securing and expanding return on consolidated basis, in particular by strengthening the profitability of overseas businesses.

(Unit : Billion yen, Times, Yen per stock)

	previous medium-term		FY2025 plan
	FY2017	FY2019	
Sales Volume (Thousands of ton per month)	89.1	134.7	148.5
(Sanyo)	89.1	71.2	75.0
(Ovako)	-	55.7	60.0
(MSSS)	-	7.9	13.5
Net Sales	1,575	2,625	2,800
Ordinary Income	107	▲15[14]	140[163]
(Sanyo)	99	40	90
(Ovako)	-	▲9	60
(MSSS)	-	▲14	7
ROS	6.8%	▲0.6%[0.5%]	5%[6%]
ROE	5.6%	▲2.0%[0.3%]	5%[6%]
D/E ratio (Net)	0.22	0.27	0.2
EPS (Earnings Per Share)	218	▲67[9]	170[210]

*[In parentheses] Before amortization of goodwill



5. Major Resource Allocation (Consolidated)

Capital expenditures

- Approx. 60 billion yen/5 years
 - Limit within the amount of depreciation.
 - Cost reduction, labor saving, carbon neutrality (energy conservation), DX promotion, renovation, etc.

Research and development expenses

- Approx. 12.5 billion yen/5 years *Same level as previous medium-term
 - "Creation of eco-processes and eco-products" with the focus on carbon neutrality, etc.

Personnel plan

- 6,726 people (as of the end of FY2019)
→Approx. 6,400 people (as of the end of FY2025)
 - On a non-consolidated basis, the retirement age was extended to 65 years from FY2021.
 - Group-wide rationalization of about 5%.

(Note)

These materials were prepared based on information available as of the date of publication of these materials. Actual results may differ from these materials due to a variety of factors going forward. No commitment or warranty is made.

Please note that the official text of this document has been prepared in Japanese. To the extent there is any discrepancy between the English translation and original Japanese version, please refer to the Japanese version.