

Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2024

(April 2023 → December 2023)

February 2, 2024

SANYO SPECIAL STEEL Co., Ltd.

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



Santo-kun
(Our mascot)

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2. FY2023 3rd Quarter Results

Outline of Statements of Income

Ordinary Income : 9.1 billion yen (Compared to FY2022/1~3Q : -11.6 billion yen)

Revenue and profit declined due to lower sales volume, deterioration in sales mix and smaller positive transient effects at OVAKO.

- Although sales prices increased through implementations of energy surcharges and other efforts, revenue and profit declined due to lower sales volume magnified by destocking in supply chain, deteriorated sales mix, higher raw material and fuel prices and inflationary pressure on other materials. Absence of strong tailwind from positive one-off effects at OVAKO, seen in FY2022, also affected negatively.

(Unit: Billion yen)

	FY2023/1~3Q (A)		FY2022/1~3Q (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	269.0	100.0	294.4	100.0	-25.4	-8.6
Operating Income	8.8	3.3	20.4	6.9	-11.6	-56.8
Ordinary Income	9.1	ROS 3.4	20.7	ROS 7.0	-11.6	-56.1
(Sanyo)	7.6	5.5	9.5	6.5	-1.9	-19.6
(OVAKO)	6.1	5.7	13.9	11.0	-7.8	-56.1
(SSMI)	0.5	2.7	-0.4	—	+0.8	—
(Amortization of goodwill)	-2.4	—	-2.2	—	-0.2	—
Net Income^{*1}	6.3	2.3	14.8	5.0	-8.4	-57.2
Net Income before amortization of goodwill	8.7	3.2	16.9	5.8	-8.2	-48.5
Sales Volume (Thousand tons)	1,092 (per month) 121.3		1,210 (per month) 134.5		-119 (per month) -13.2	
(Sanyo)	629	69.9	681	75.7	-52	-5.8
(OVAKO)	376	41.8	451	50.1	-75	-8.3
(SSMI)	86	9.6	78	8.7	+8	+0.9

*1 Profit attributable to owners of parent

*2 The consolidated accounting period for SSMI is Jan. to Sep.

Business Environment

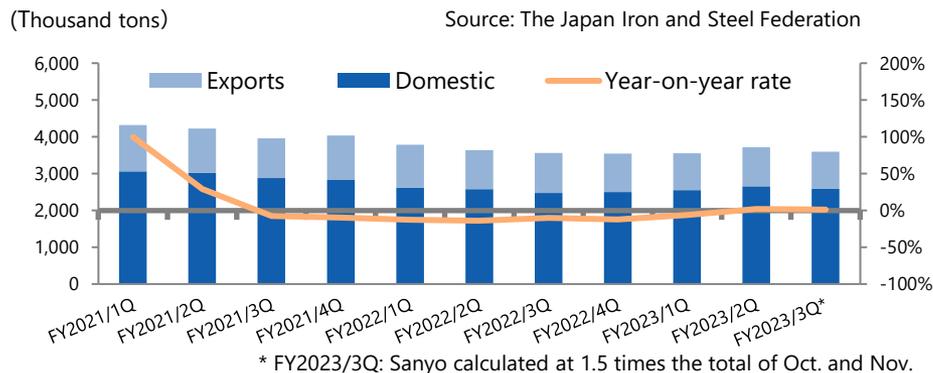
Demand Trends

Overall automobile production is gradually recovering but situation varies among manufacturers. Demand for construction and industrial machinery is declining magnified by destocking. Actual demand is expected to recover after the end of destocking despite bleak outlooks for the Chinese and European economies.

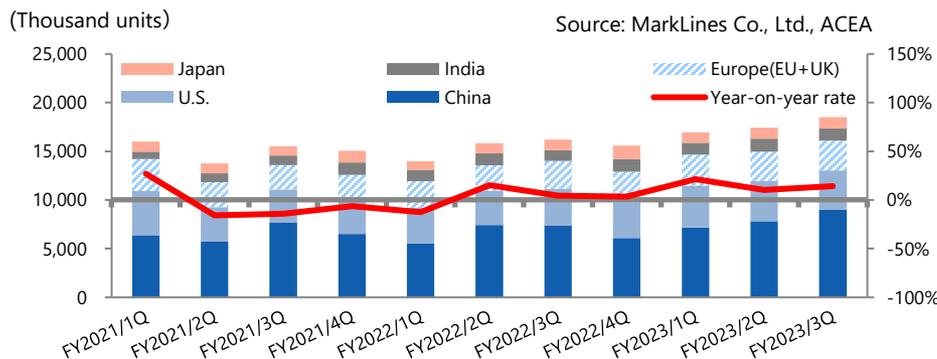
Raw Material and Fuel Prices

Though some alloy prices are declining due to lower demand, prices of raw materials, such as iron scrap, are remaining high. Amid inflationary pressure, prices of other materials are on the rise and drops in energy prices have come to a halt.

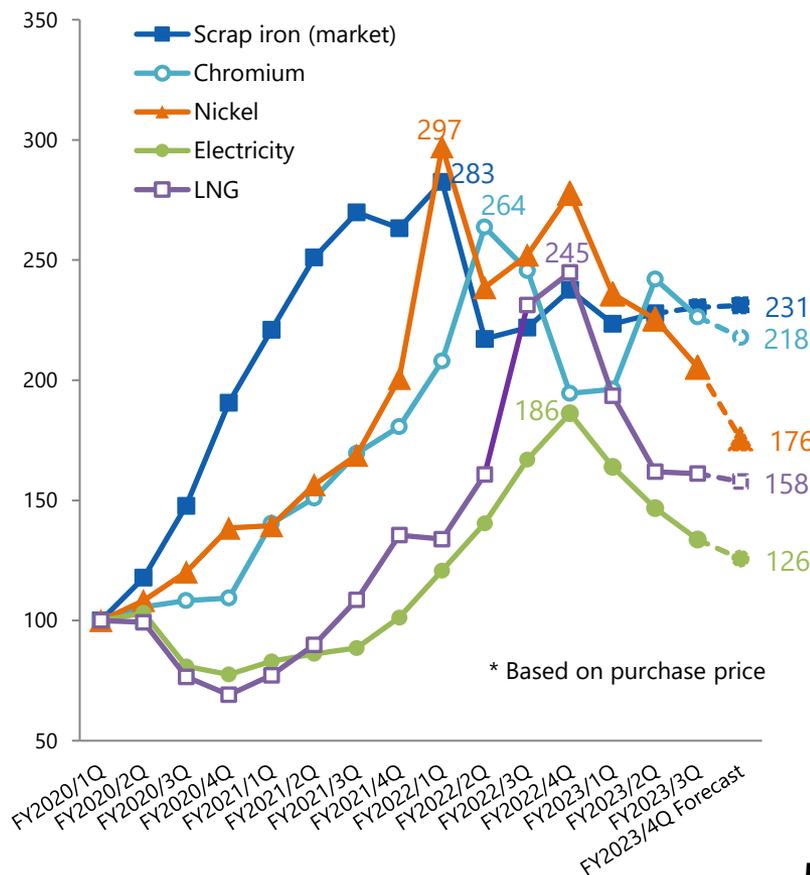
1. Volume of Order Booked (Specialty Steel Products)



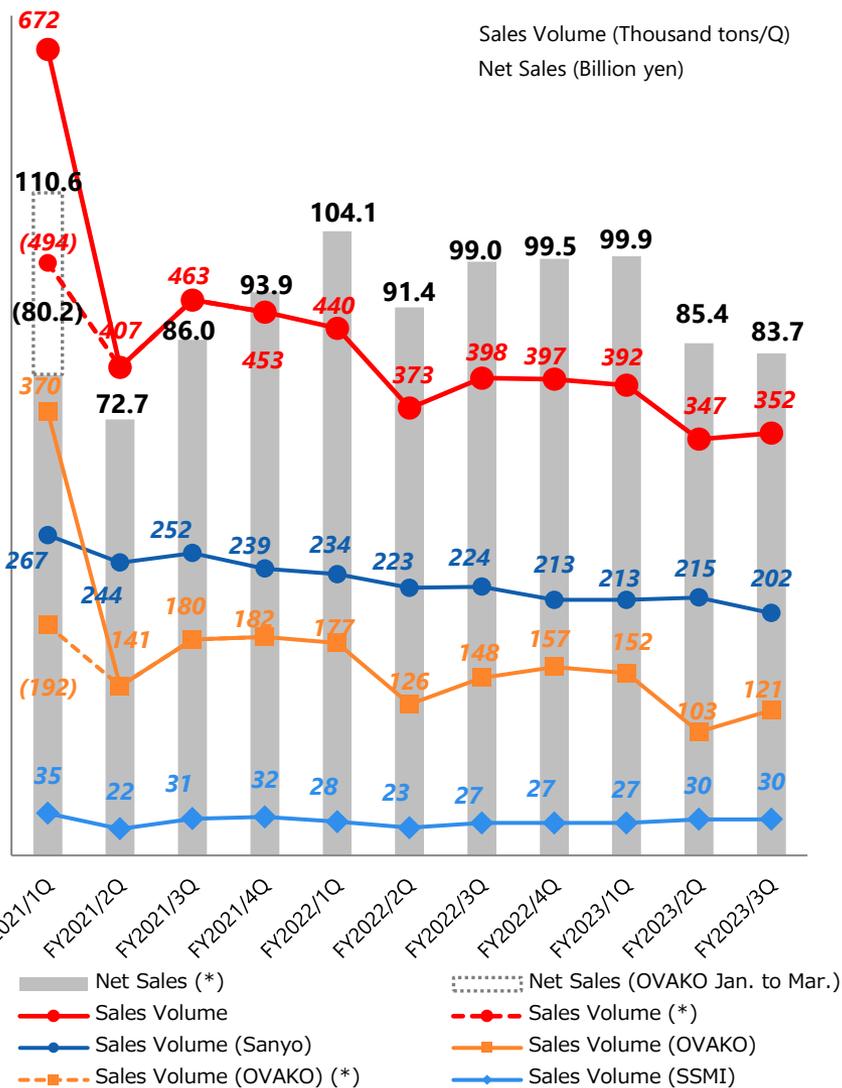
2. Units of Automobile Sales



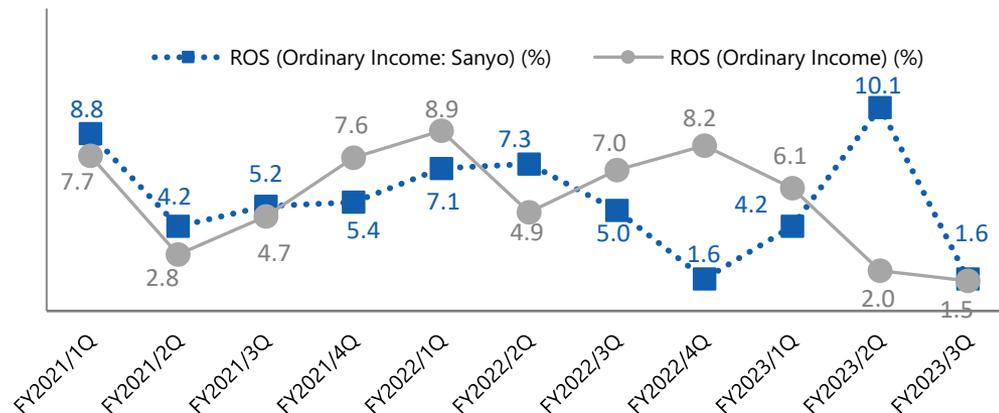
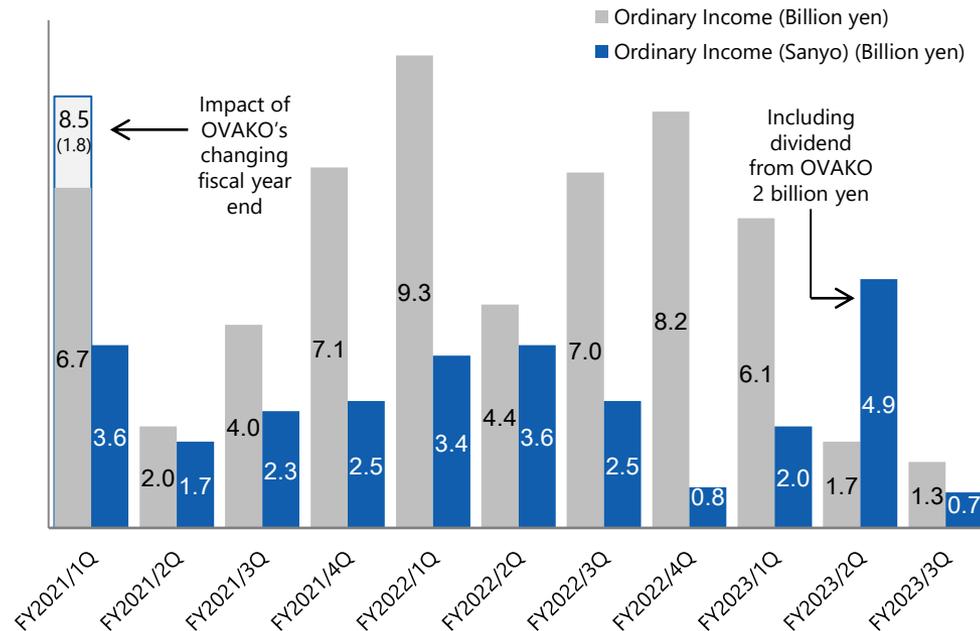
3. Raw Material and Fuel Prices (FY2020/1Q = 100)



Net Sales and Income (Quarterly)



(*) Excluding OVAKO's sales Jan. to Mar.



Earnings by Business Segment

(Unit: Billion yen)

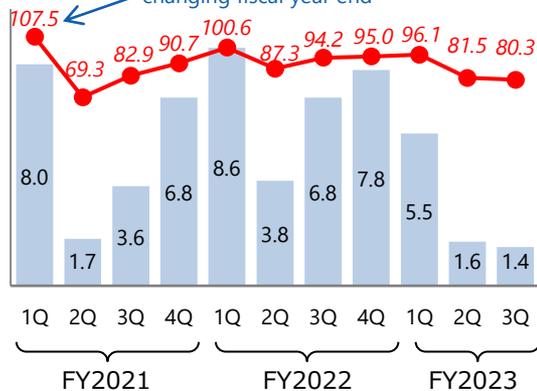
	FY2023/1~3Q (A)			FY2022/1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	257.9	8.5	3.3	282.1	19.2	6.8	-24.1	-10.7	-3.5
Metal Powders	4.0	0.7	17.5	3.9	0.8	20.6	+0.1	-0.1	-3.1
Formed and Fabricated Materials	13.7	-0.4	-3.2	14.9	0.3	2.3	-1.2	-0.8	-5.5
Sub-total	275.7	8.7	3.2	300.9	20.3	6.8	-25.3	-11.6	-3.6
Others	1.0	0.0	2.4	1.0	0.0	2.5	+0.0	-0.0	-0.1
Adjustments	-7.7	0.0	—	-7.5	0.1	—	-0.2	-0.0	—
Consolidated total	269.0	8.8	3.3	294.4	20.4	6.9	-25.4	-11.6	-3.6

Change in Business Segment

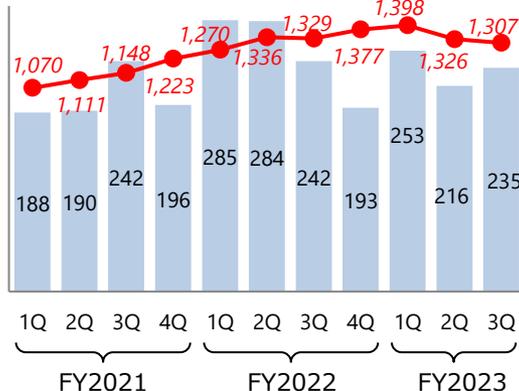
Operating Income Sales

Steel Products (Unit: Billion yen)

Including impact of OVAKO's changing fiscal year end

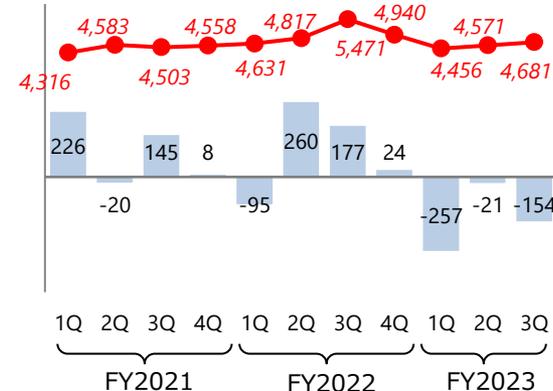


Metal Powders (Unit: Million yen)



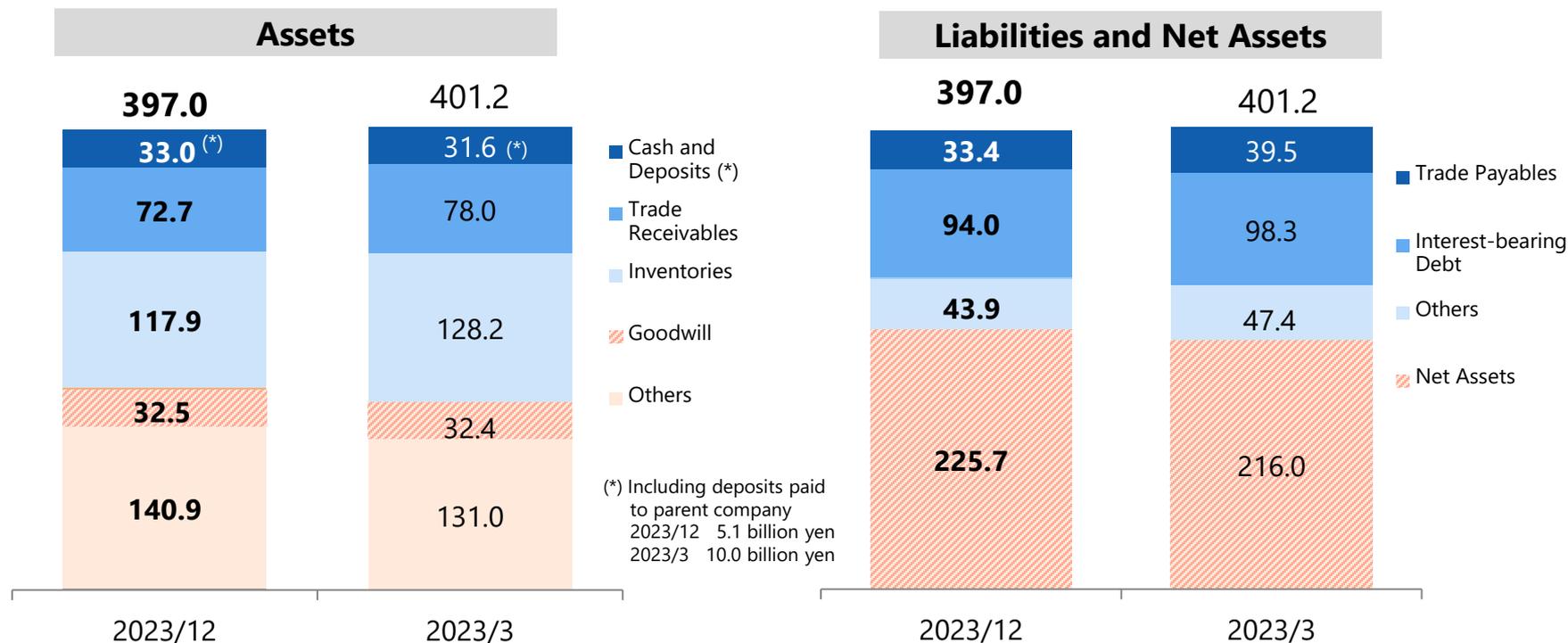
Formed and Fabricated Materials (Unit: Million yen)

(Unit: Million yen)



Balance Sheets (Consolidated)

(Billion yen)



Major changes in Assets

-4.3 billion yen (-1.1%)

(including foreign exchange impact +16.7 billion yen)

Trade Receivables	-5.3
Inventories	-10.4
Goodwill	+1.0
(amortization -2.4, foreign exchange impact +2.5)	
Others	+9.9

Major changes in Liabilities and Net Assets

-4.3 billion yen (-1.1%)

(including foreign exchange impact +16.7 billion yen)

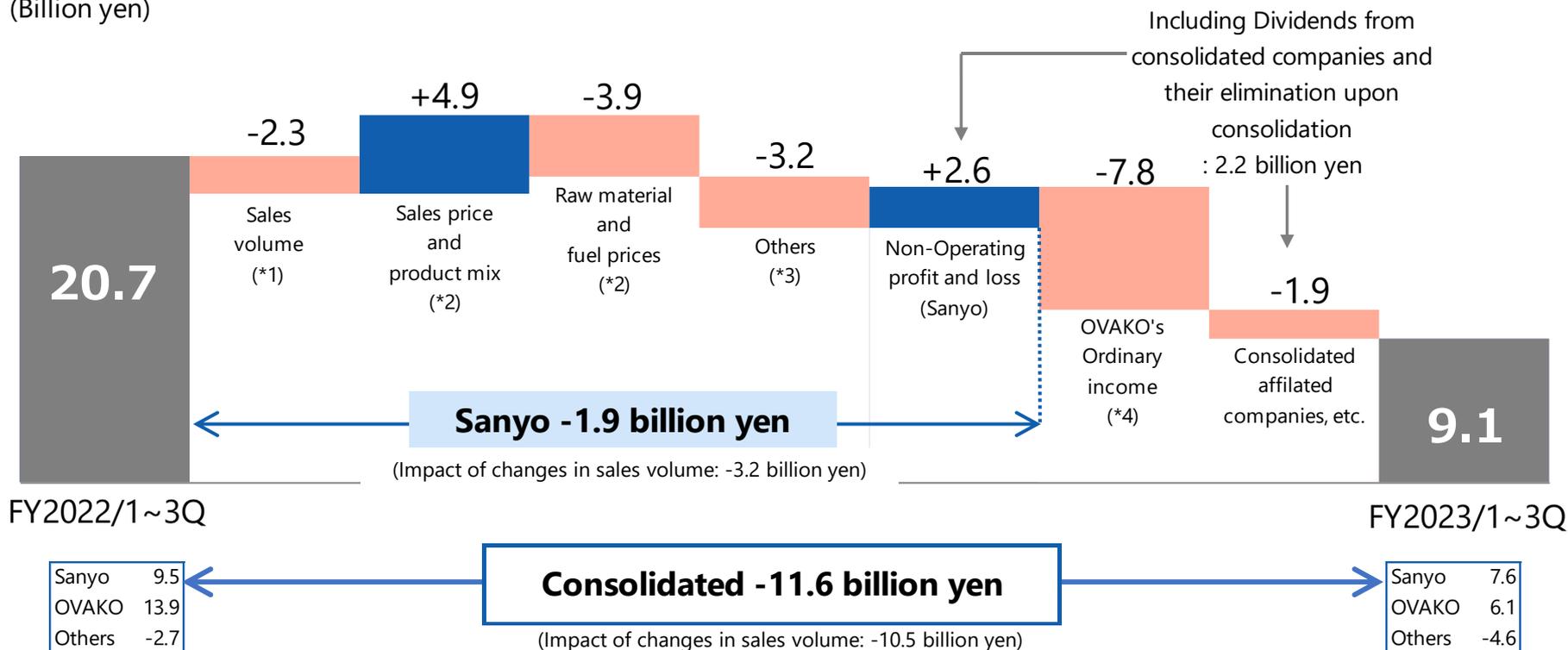
Trade Payables	-6.1
Interest-bearing Debt	-4.2
Others	-3.6
Net Assets	+9.7

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Dec. 2023, non-consolidated basis)
Sanyo 273.9 billion yen, OVAKO 130.0 billion yen, SSMI 14.9 billion yen

Equity Ratio	2023/12	2023/3
	56.3%	53.4%

Ordinary Income Variance Analysis (FY2022/1~3Q → FY2023/1~3Q Result)

(Billion yen)



(*1) Sales volume

- 8% (-52: 681 → 629 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :-1.1 (+0.8 → -0.2)
- Energy :+3.1 (-1.6 → +1.5)

(*3) Breakdown of Others

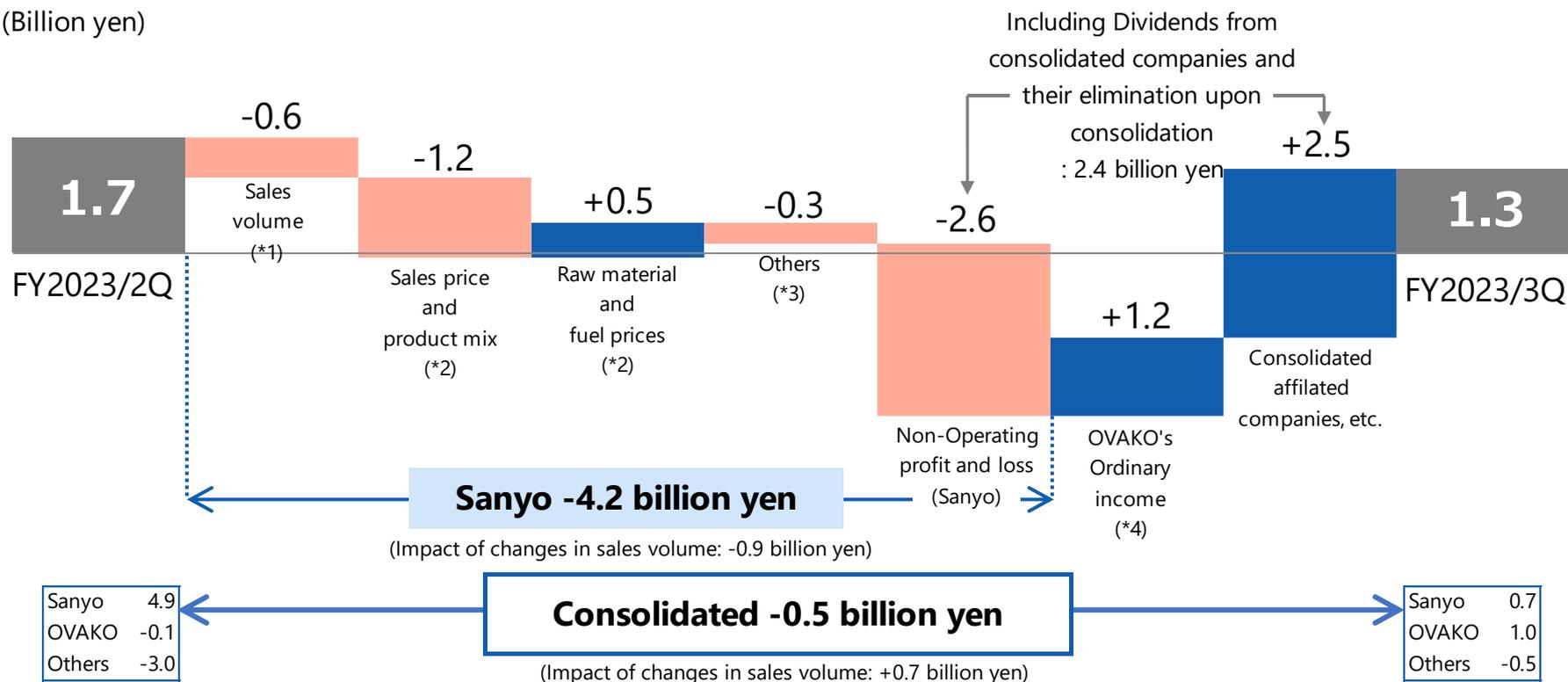
- Variable cost reductions+0.4,
- Other materials, outsourcing, logistic cost, etc.-1.6,
- Repair and maintenance expenses-0.7, Fixed cost-1.3

(*4) OVAKO's Ordinary Income

- Sales volume -7.3
-17% (-75: 451 → 376 thousand tons)
- Transient factors -5.1 (+7.5 → +2.4)
 - Modification of Surcharge System -2.1 (+2.1 → 0.0)
 - Refund of Health Insurance -0.6 (+0.6 → 0.0)
 - Iron scrap market price differences -0.6 (+2.4 → +1.8)
 - FX effect (SEK vs. EUR) -1.9 (+1.9 → 0.0)
 - Subsidy of Energy +0.6 (0.0 → +0.6)
- Sales margin and product mix, raw material and fuel prices +3.5
- Others (FX effect, etc.) +1.1

Ordinary Income Variance Analysis (FY2023/2Q → FY2023/3Q Result)

(Billion yen)



(*1) Sales volume

- 6% (-13: 215 → 202 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :-0.2 (+0.1 → -0.1)
- Energy :-0.3 (+0.7 → +0.4)

(*3) Breakdown of Others

- Fixed cost+0.3,
Other materials, outsourcing, logistic cost, etc.-0.5,
Repair and maintenance expenses-0.1

(*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) +1.6
+17% (+18: 103 → 121 thousand tons)
- Transient factors -0.8 (+0.8 → 0.0)
Iron scrap market price differences -0.4 (+0.7 → +0.3)
FX effect (SEK vs. EUR) -0.1 (-0.2 → -0.3)
Subsidy of Energy -0.3 (+0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices +1.0
- Others (Fixed cost, etc.) -0.7

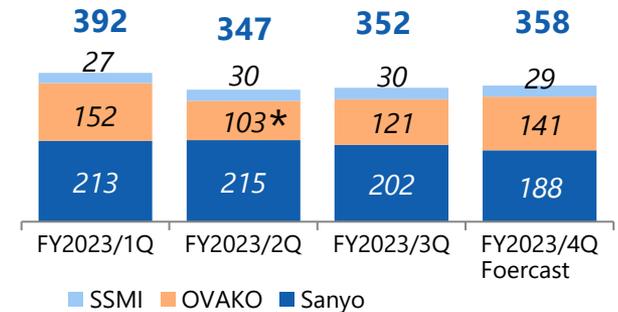
2. FY2023 Forecast

Business Forecast for FY2023 (announced on February 2, 2024)

Ordinary Income in FY2023 Forecast : 12.0 billion yen (Compared to previous forecast : -8.0 billion yen)

- Significant destocking in construction and industrial machinery has emerged mainly due to deceleration of Chinese economy growth and continuing economic uncertainty in Europe.
- Consolidated ordinary income forecast for FY2023 was revised downward because of expected significant decrease mainly in sales volume of Sanyo and OVAKO, associated with increases in manufacturing costs and deteriorations in sales mix.
- We regretfully have revised down dividend forecast for FY2023. (details on next page)

(Reference) Sales Volume (Thousand tons/Q)



* Impact of OVAKO's seasonal factors

(Unit: Billion yen)

	Revised Forecast (2024/2/2)					Previous Forecast (2023/10/31)		Change	
	1H (Result)	3Q (Result)	4Q	2H	FY (A)	2H	FY (B)	(B) → (A)	3Q → 4Q
Net Sales	185.3	83.7	86.0	169.7	355.0	194.7	380.0	-25.0	+2.3
Operating Income	7.3	1.5	2.6	4.1	11.4	12.7	20.0	-8.6	+1.1
Ordinary Income	7.8	1.3	2.9	4.2	12.0	12.2	20.0	-8.0	+1.7
(Sanyo)	6.9	0.7	0.9	1.6	8.5	6.4	13.3	-4.8	+0.2
(OVAKO)	5.1	1.0	2.4	3.4	8.5	5.9	11.0	-2.5	+1.4
(SSMI)	0.3	0.2	0.2	0.4	0.7	0.4	0.7	—	+0.1
(Amortization of goodwill)	-1.6	-0.8	-0.8	-1.6	-3.2	-1.6	-3.2	—	+0.0
Net Income*¹	5.2	1.1	2.2	3.3	8.5	8.8	14.0	-5.5	+1.1
ROE (%)					3.9		6.3	-2.4	
Net Income before amortization of goodwill	6.8	1.9	3.0	4.9	11.7	10.4	17.2	-5.5	+1.1
ROE (%)					5.4		7.8	-2.4	

*1 Profit attributable to owners of parent

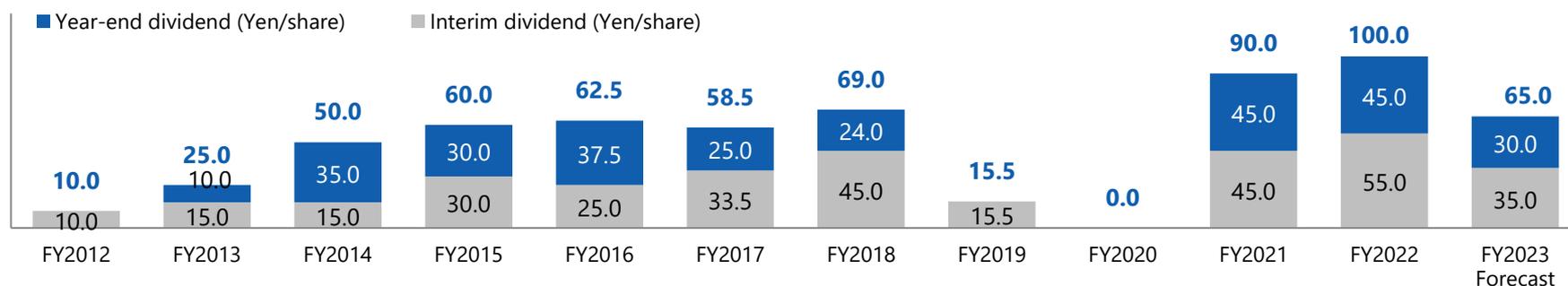
*2 The consolidated accounting period for SSMI is Jan. to Dec.

Major assumptions after January 2024

- Scrap iron 52,000 yen/t (H2 market price in Himeji area)
- Crude oil (Dubai) 80\$/BL · Exchange rate 145 yen/US\$, 155 yen/€

Dividend Forecast for FY2023 (announced on February 2, 2024)

			Result	Revised Forecast (A) (Announced on Feb. 2, 2024)		Previous Forecast (B) (Announced on Oct. 31, 2023)		Change (B) → (A)	
			1H	2H	FY	2H	FY	2H	FY
Earnings Per Share	A	Yen/share	96.1		156.0		257.0		-101.0
Earnings Per Share before amortization of goodwill	B	Yen/share	125.3		214.7		315.7		-101.0
Dividend	C	Yen/share	35.0	30.0	65.0	65.0	100.0	-35.0	-35.0
Payout Ratio	C/A	%	36.4		41.7		38.9		+2.8
	C/B	%	27.9		30.3		31.7		-1.4



<Dividend Policy>

Comprehensively considering dividend payout ratio, dividend per share and necessary funds for future investment, etc.

Consolidated dividend payout ratio:(In principle) approx. **35%**,
(Excluding goodwill amortization) approx. **30%**

Sales Volume (Sanyo)

Demand Trends

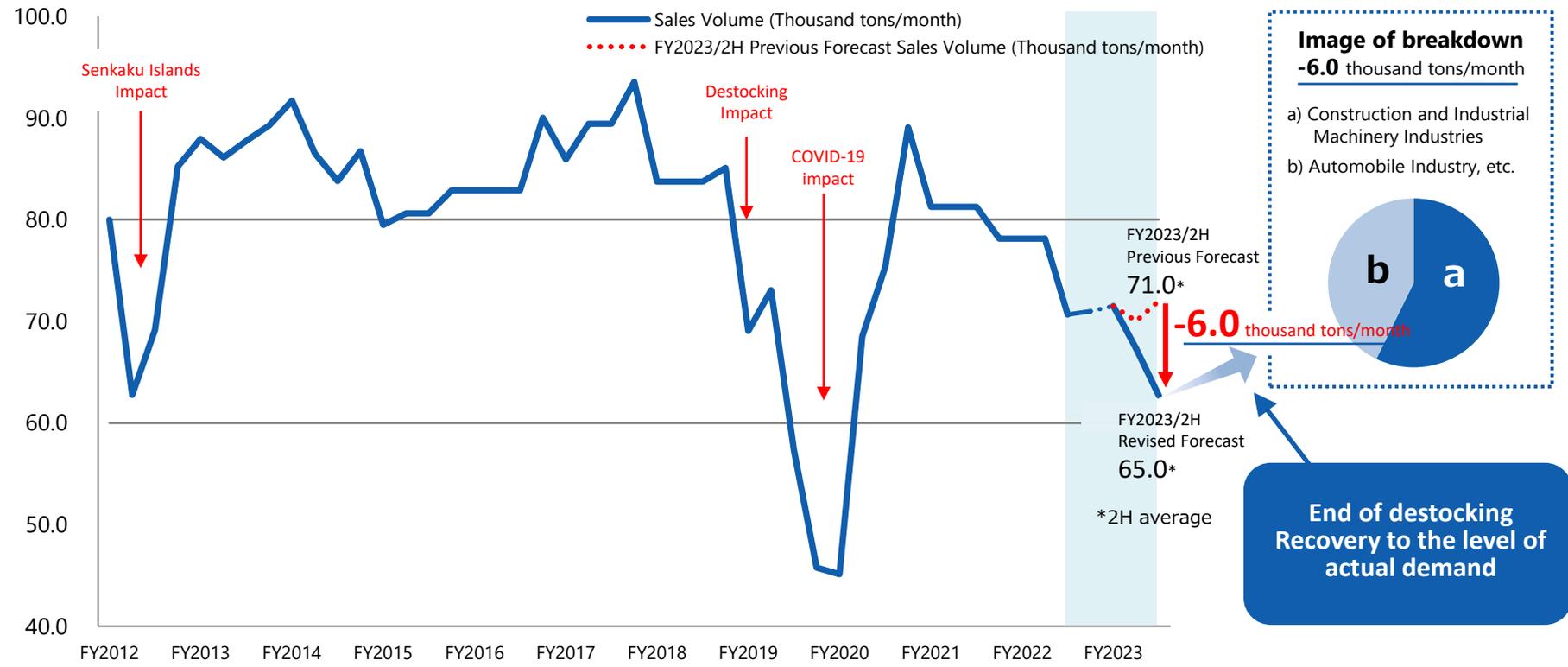
- a) Construction Machinery Industry
- Industrial Machinery Industry
- b) Automobile Industry

Demand in machine tool and semiconductor manufacturing equipment sectors is expected to weaken in FY2023/2H mainly due to deceleration of Chinese economy growth. In contrast to our previous estimation that destocking will come to an end and gradually turn around, we now expect destocking to continue due to production cutbacks by customers.

Although stable demand was initially expected for FY2023/2H, demand seems to be shrinking due to uncertainty in the global economy and decline in investment appetite stemming from high interest rates. Destocking started as customers began to cut back on production as well.

Although gradual recovery in auto-related sales was previously expected in FY2023/2H, recovery is less than forecasted as sales momentum differs among manufacturers and there are still scattered localized adjustments within supply chain.

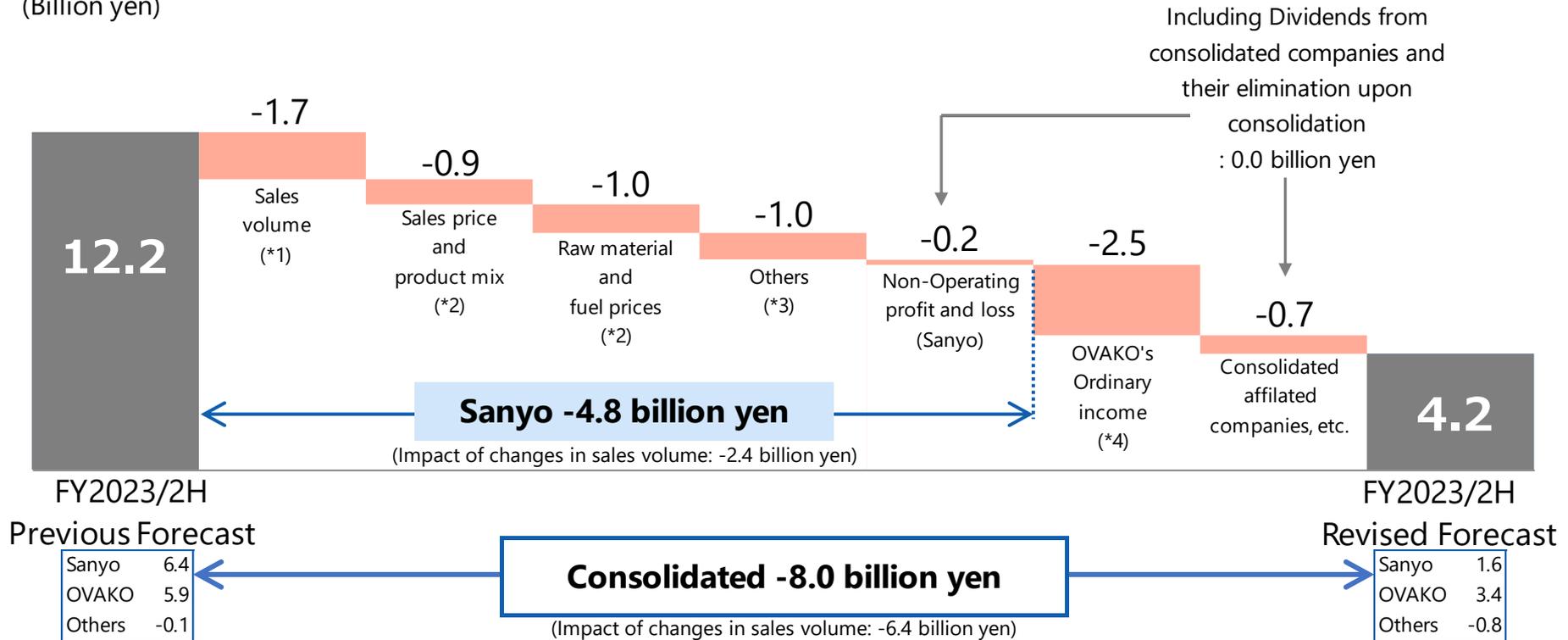
Sales Volume (Sanyo)



Ordinary Income Variance Analysis

(FY2023/2H Previous Forecast → FY2023/2H Revised Forecast)

(Billion yen)



(*1) Sales volume

- 8% (-36: 426 → 390 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :-0.1 (+0.0 → -0.1)
- Energy :-0.7 (+1.8 → +1.1)

(*3) Breakdown of Others

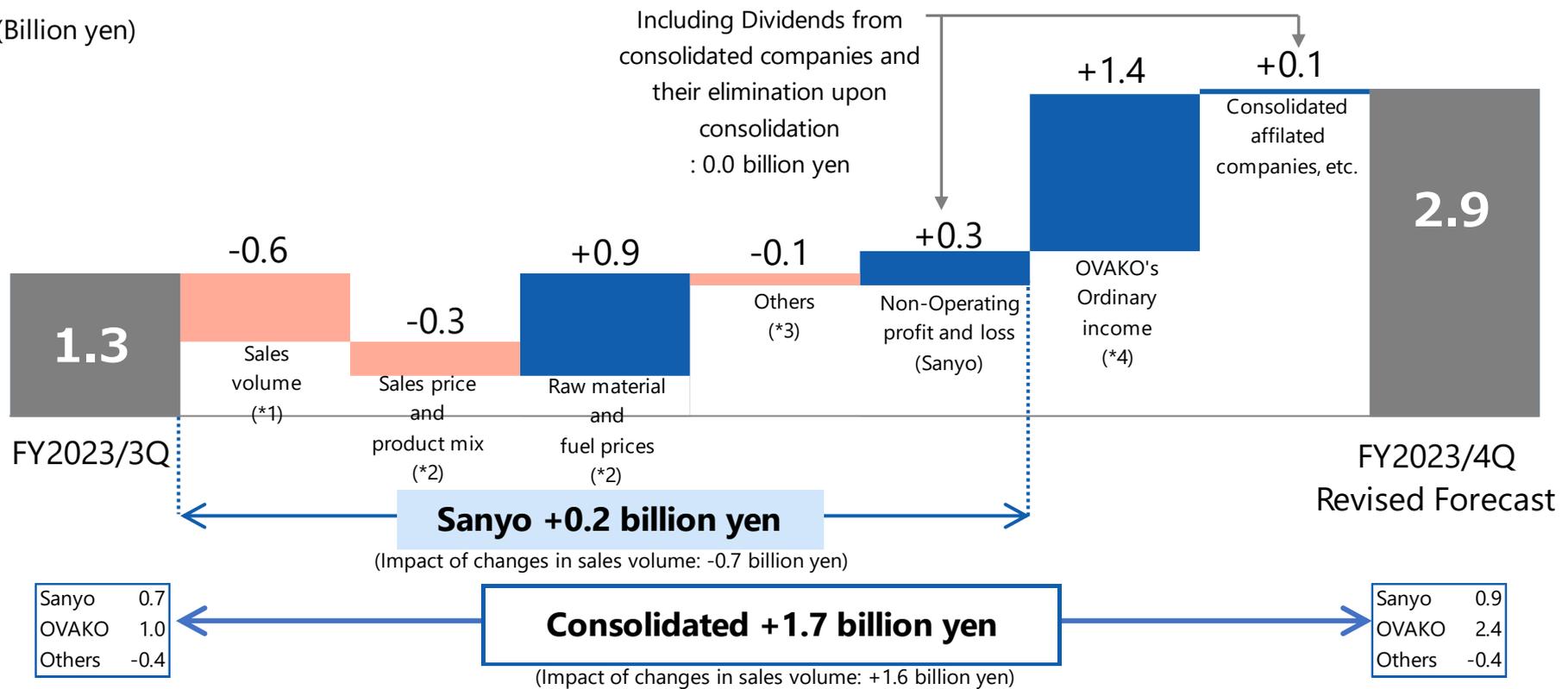
- Variable cost reductions-0.3,
- Other materials, outsourcing, logistic cost, etc.-0.6,
- Repair and maintenance expenses-0.1

(*4) OVAKO's Ordinary Income

- Sales volume -4.0
-14% (-43: 304 → 262 thousand tons)
- Transient factors 0.0 (0.0 → 0.0)
Iron scrap market price differences +0.3 (0.0 → +0.3)
FX effect (SEK vs. EUR) -0.3 (0.0 → -0.3)
- Sales margin and product mix, raw material and fuel prices +1.3
- Others +0.2

Ordinary Income Variance Analysis (FY2023/3Q → FY2023/4Q Revised Forecast)

(Billion yen)



(*1) Sales volume

- 7% (-14: 202 → 188 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap : +0.1 (-0.1 → +0.0)
- Energy : +0.2 (+0.4 → +0.7)

(*3) Breakdown of Others

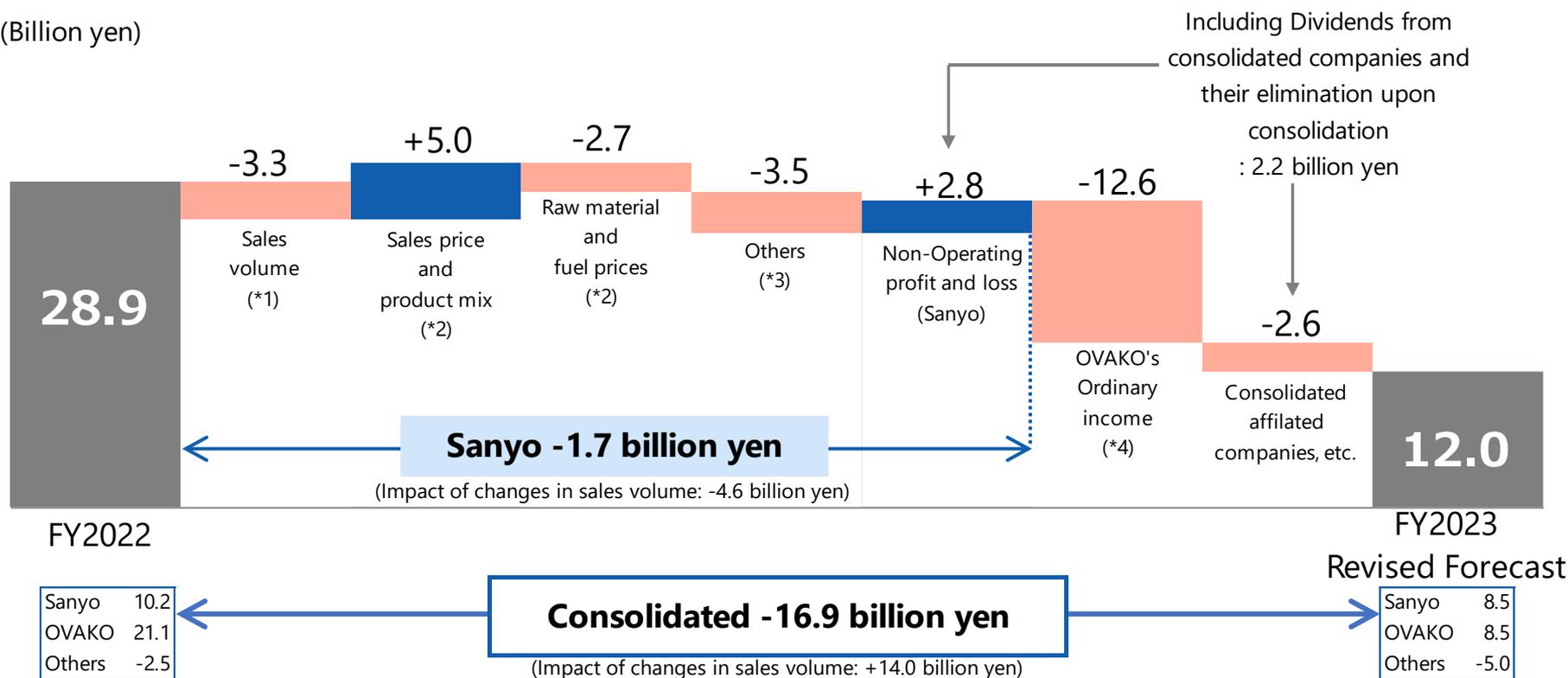
- Variable cost reductions -0.1

(*4) OVAKO's Ordinary Income

- Sales volume +2.3
+17% (+20: 121 → 141 thousand tons)
- Transient factors 0.0 (0.0 → 0.0)
 - Iron scrap market price differences -0.3 (+0.3 → 0.0)
 - FX effect (SEK vs. EUR) +0.3 (-0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices -0.1
- Others (Fixed cost, etc.) -0.8

Ordinary Income Variance Analysis (FY2022 → FY2023 Revised Forecast)

(Billion yen)



(*1) Sales volume

- 9% (-77: 894 → 817 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :-1.5 (+1.3 → -0.2)
- Energy :+5.1 (-3.0 → +2.1)

(*3) Breakdown of Others

- Variable cost reductions+0.6,
- Other materials, outsourcing, logistic cost, etc.-2.3,
- Repair and maintenance expenses-0.6, Fixed cost-1.2

(*4) OVAKO's Ordinary Income

- Sales volume -9.4
-15% (-91: 608 → 517 thousand tons)
- Transient factors -7.2 (+9.6 → +2.4)
 - Modification of Surcharge System -2.8 (+2.8 → 0.0)
 - Refund of Health Insurance -0.6 (+0.6 → 0.0)
 - Iron scrap market price differences -1.5 (+3.3 → +1.8)
 - FX effect (SEK vs. EUR) -2.4 (+2.4 → 0.0)
 - Subsidy of Energy +0.6 (0.0 → +0.6)
- Sales margin and product mix, raw material and fuel prices +3.0
- Others (FX effect, etc.) +1.0

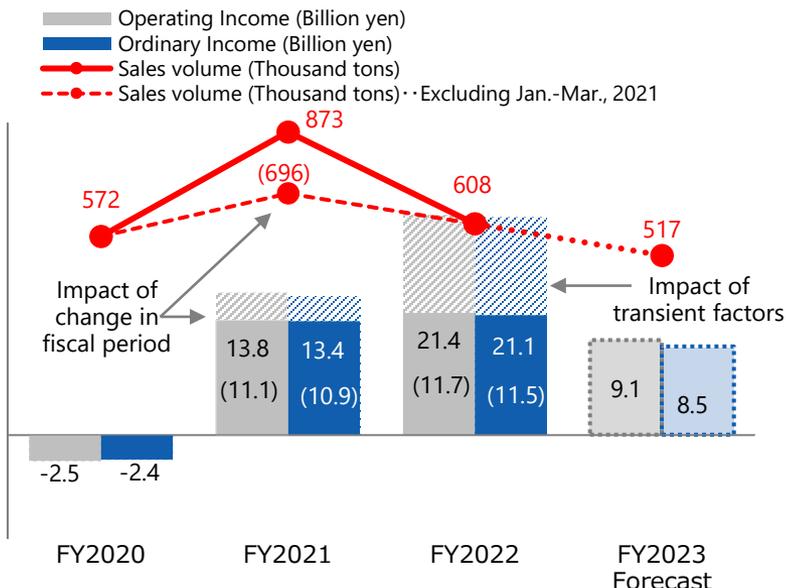
Review of Performance <OVAKO>

FY2023 Business Forecast

Ordinary Income in FY2023 Forecast: 8.5 billion yen (-12.6 billion yen compared to FY2022)

- During FY2023/1~3Q, a downturn in demand continued as European economy missed to recover amid high interest rates. Sales volume dropped sharply than previously expected, reflecting factors such as destocking. Ordinary income in FY2023/1~3Q came to 6.1 billion yen (-7.8 billion yen on YOY basis). The significant YOY drop is partly due to lack of positive one-off effects observed in FY2022.
- In 4Q, sales volume is expected to be lower than previously forecasted as current situation provides no signs of significant recovery in demand. Ordinary income estimate stands at 2.4 billion yen. While facing a difficult business environment, OVAKO will continue its efforts for thorough control of fixed costs, optimization of operational structure and utilization of decarbonization-related sales and marketing advantages.

Trend of Sales volume, Operating Income, and Ordinary Income



Profit Improvement and Maximization of synergy effects

1. Profit Improvement

- Safeguarding and improving profit margin in an inflationary environment by base price increase and implementation of climate and energy surcharge systems.
- Streamlining workforce by optimizing operation such as through flexible balancing of capacities between mills.
- Continuously lowering BEP by margin improvement and fixed cost control.

2. Maximizing synergy effects among the 3 companies, OVAKO, Sanyo and Nippon Steel

- Sales promotion activities
- Reduction of operational cost
- Reduction of procurement cost

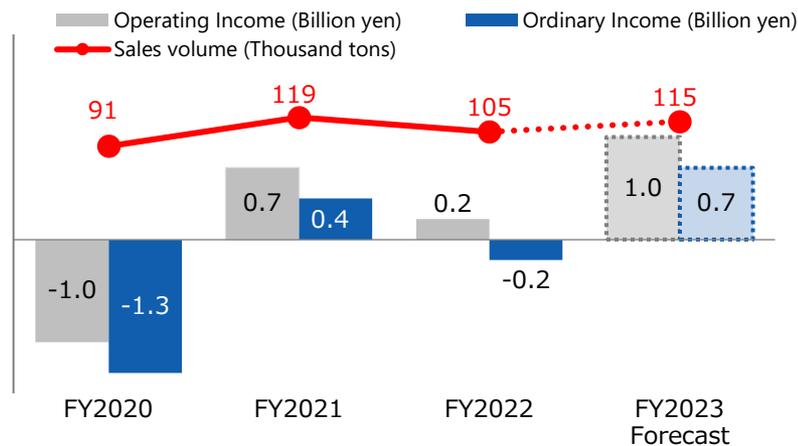
Review of Performance <SSMI>

FY2023 Business Forecast

Ordinary Income in FY2023 Forecast : 0.7 billion yen (+0.9 billion yen compared to FY2022)

- Ordinary income in FY2023/1~3Q (Jan.-Sep. 2023) was 0.5 billion yen (+0.8 billion yen compared to FY2022/1~3Q), due to increase in sales volume and decline of raw material and fuel prices.
- SSMI will secure positive returns of 0.7 billion yen in FY2023 by implementing following measures.
 - ▶ Expanding sales volume in mainly high-margin segments.
 - ▶ Using cost effective cold iron resources, utilizing cost effective and renewable electricity and further pursuing manufacturing cost reduction partly by streamlining production process.

Trend of Sales volume, Operating Income, and Ordinary Income



Profit improvement measures and actions

1. Upgrading sales strategy and mix
 - Further executing sales strategy reflecting value of SSMI's superior high-cleanliness steel technology, improving product mix and profit margin, reinforcing marketing resources.
2. Reducing variable cost
 - Reducing operation cost by improving energy intensity and efficiency and reducing procurement cost by utilizing low-cost raw materials.
3. Controlling fixed cost
 - Reducing interest costs by repaying borrowings associated with capital increase, etc.

- On February 2, 2024, Sanyo entered into agreement to acquire all the shares of SSMI owned by MITSUI & CO., LTD. ("MITSUI"), SSMI's minority shareholder, due to the exercise of MITSUI's put option right under the shareholders agreement. **Consequently, Sanyo's capital contribution of SSMI will become 100%.**
- **Sanyo will further bolster SSMI's manufacturing, sales, technology, human resource and financial capabilities to reinforce its presence in Indian market and to capture India's sustaining economic growth, simultaneously enhancing its global presence.**

4. Topics

Topics

1. “ESG Update” for investors (December 13, 2023)

- Simultaneously with publishing “Sanyo Special Steel Report 2023” (Integrated Report), “ESG update” session was held for investors, attracting 24 participants. It was the first ESG-focused session held by Sanyo.
- Presentation material, Q&A Summary and the recording of this session are available on our website.

“Sanyo Special Steel Report 2023” (Integrated Report)

Available on our website.



https://www.sanyo-steel.co.jp/english/shareholder/ir_document/annual-report.php



<Presenters>

- Representative Director and President
- Director, Member of the Board and Managing Executive Officer
- Managing Executive Officer

2. Plant tour for shareholders (December 16, 2023)

- We held plant tour for shareholders to deepen their understanding of Sanyo.
- We invited shareholders owing more than 500 Sanyo shares as of March 31, 2023.
- This is the first plant tour for shareholders in four years, since March 2019.



Topics

3. Renewal of recruitment website (January 25, 2024)

- To strengthen recruitment publicity, we have renewed our website for new graduate hiring.
- Based on the concept of "Respectfully cultivate, not only technologies and products, but also society and the global environment with a long-term perspective", the website was redesigned to familiarize specialty steel.
- The website includes many contents to promote the company, such as "Interviews with senior employees", "Voices of young employees", and "Sanyo Special Steel's global development".



Recruitment website of Sanyo Special Steel
<https://www.sanyo-steel.co.jp/saiyo/>

4. Opening Sanyo's official social media accounts (November 2023)

- We have opened our official social media accounts.
- The accounts provide information, such as our group's initiatives, with the aim to approach a wide range of people.

Instagram



X (formerly twitter)



YouTube



Topics

5. Acquisition of “EcoLeaf” certification for “ECOMAX® series”

(Announced on September 29, 2023)

- We have acquired “EcoLeaf” for “ECOMAX® series” of nickel- and molybdenum-free high-strength case hardening steels.
- Application of “ECOMAX® series”, whose special steel features enable part manufacturing process simplification, helps customers reduce their CO₂ emissions.

EcoLeaf

An environmental product declaration (EPD) that discloses quantitative environmental information based on the entire life cycle of a product. Through disclosing of data verified by a third party in order to ensure reliability and transparency, customers incorporate this information in their decision-making when selecting environmentally friendly products.



JR-AW-23020E

6. Sanyo Special Steel 90th anniversary since inauguration (November 10, 2023)

- Sanyo reached its 90th anniversary since inauguration on November 10, 2023.
- Company’s introduction video was renewed to commemorate the 90th anniversary.
- The video is available on our website and YouTube.

<90th anniversary slogan and logo>

**“90th anniversary with
gratitude and
moving toward our 100th
and beyond”**

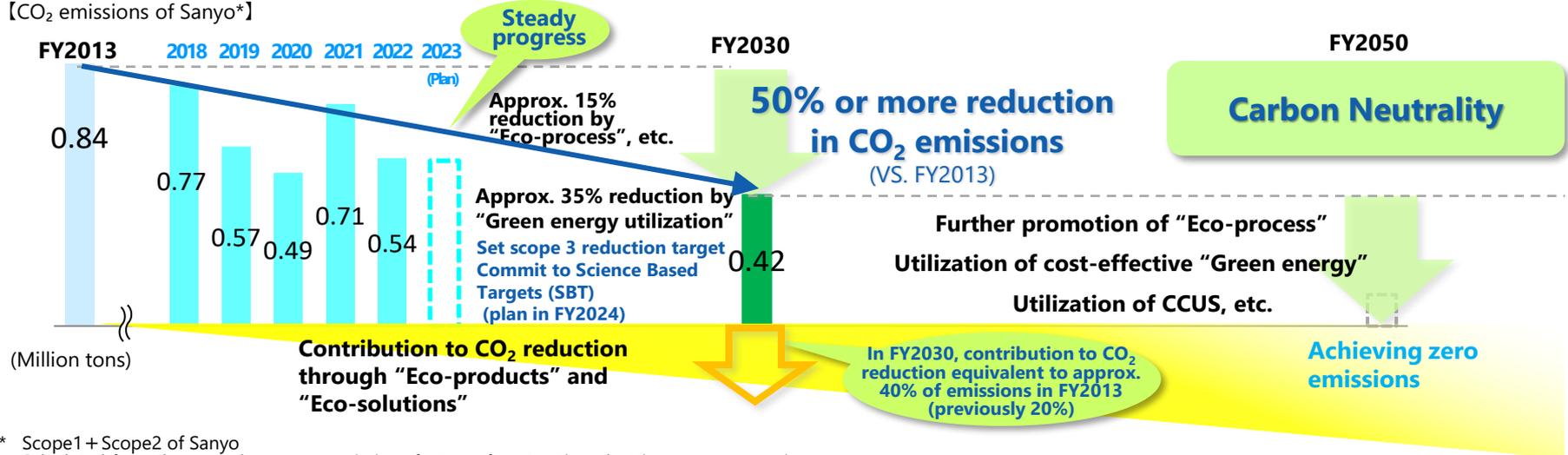


Sanyo Special Steel group introduction video
<https://www.sanyo-steel.co.jp/english/company/introduce.php>

4. Achieving Carbon Neutrality (CN) by 2050

Sanyo's Roadmap to Carbon Neutrality by 2050

[CO₂ emissions of Sanyo*]



* Scope1 + Scope2 of Sanyo

** Calculated from the green house gas emissions factors of contracting electric power companies.

Eco-process



Energy-saving heating furnace that uses regenerative burners

Company-wide energy-saving measures mainly in production
Development of manufacturing technology to improve energy efficiency

*Introduced internal carbon pricing from FY2023.

Green energy utilization



Utilization of carbon free electricity/fuels and natural energy

*Commenced to utilize renewable energy sources from FY2022.

Eco-products



Developing long-life bearing steel for wind power generation

Promoting R&D and supply of special steel products that contribute to reducing CO₂ emissions in the supply chain and final usage

Eco-solutions

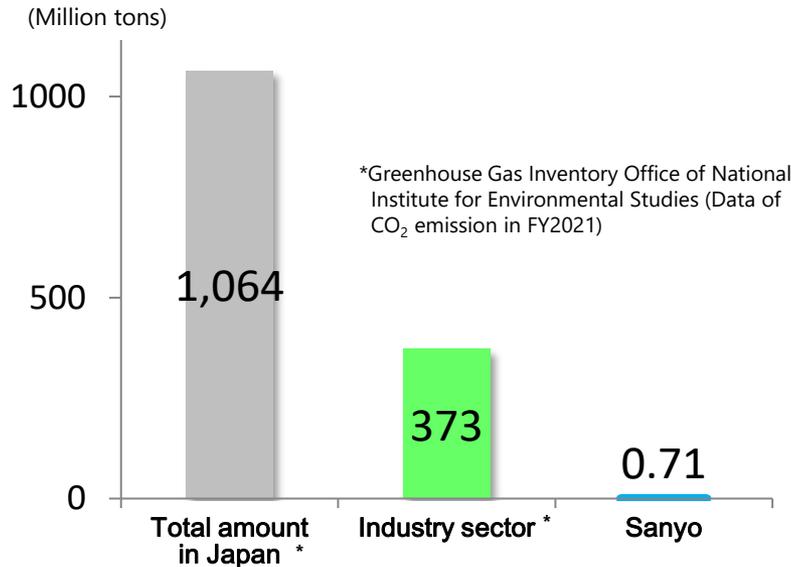


Sharing technologies among group members

Sharing our energy-saving technologies and productivity improvements among all Sanyo Group members including OVAKO and SSMI

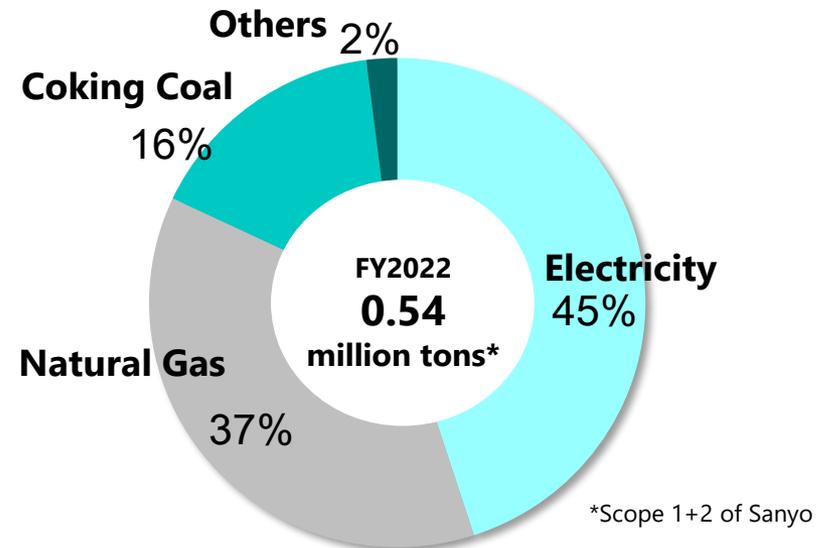
Basic Consideration to Carbon Neutrality

Amount of CO₂ emissions in FY2021



Sanyo manufactures high quality special steel, using recycled iron scrap as main raw material, and its CO₂ emissions are approximately 0.2% of that of the total Japanese Industry.

Breakdown of Sanyo's CO₂ emissions



CO₂ emissions due to consumption of electricity and natural gas account for 80% or more of the total emissions of Sanyo.

Sanyo aims to reduce CO₂ emissions from its own manufacturing process and at all social stages by promoting "Eco-process", "Green energy utilization", "Eco-products" and "Eco-solutions."

Participation in the GX League

Sanyo endorses the GX League Basic Concept and has taken part in this forum from May 2023. The GX League aims to reform the entire economic and social system to achieve corporate growth, consumer happiness and contribution to the global environment at the same time, towards achieving carbon neutrality by 2050.

Sanyo will actively engage in activities of GX League, such as voluntary emissions trading, making rules for market creation, creation of business opportunities and exchanges in GX hosted sessions.



CO₂ Reduction through “Eco-products”

In particular, Sanyo is focusing on development of “Eco-products” that contribute to reducing CO₂ emissions in the supply chain and final usage.

Stable and long-life Bearing steel



Size and weight reduction of products by improving durability and reliability



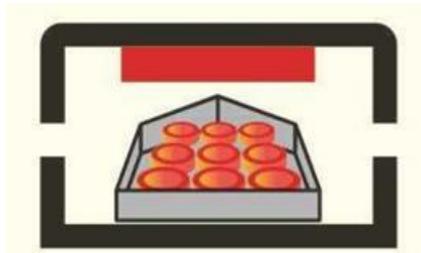
Failure ratio reduction and maintenance-free realization by extending product lifespan

(Estimated CO₂ reduction effect: 13,000 tons/year*)

Process Omitting Steel



(High-strength case-hardened steel: ECOMAX® series)
Elimination/simplification of the parts manufacturing process



(High hardness high toughness steel: TOUGHFIT®)
Reduction of CO₂ emissions in heat hardening process through original alloy designing and use of advanced heat treatment technology

Heat-resistant stainless steel tube



Heat recovery efficiency improvement by increasing strength



Effective use of thermal energy in refuse incinerating power plants by superior corrosion resistance

*Presented at the 18th Research Presentation Conference of the Institute of Life Cycle Assessment, Japan (on March 10, 2023)

Sanyo aims to continuously reduce CO₂ emissions at all social stages through “Eco-products” by fully utilizing its advanced and innovative technology.

Engagement to Carbon Neutrality by OVAKO

**First in the world
to heat steel using hydrogen**

Apr. 2020

**Carbon neutral in production
from January 2022**

Jan. 2022

- ✓ OVAKO has utilized carbon offset program to become carbon neutral.
- ✓ OVAKO has applied climate surcharge to all customers.

**Inauguration of
Fossil-free hydrogen electrolyzer plant**

Sep. 2023

**One of the largest facilities
in Europe.**

**Possible to reduce Hofors
mill's CO₂ emissions from
the process of re-heating
steel before rolling by 50
percent (approx. 20,000 t/year).**

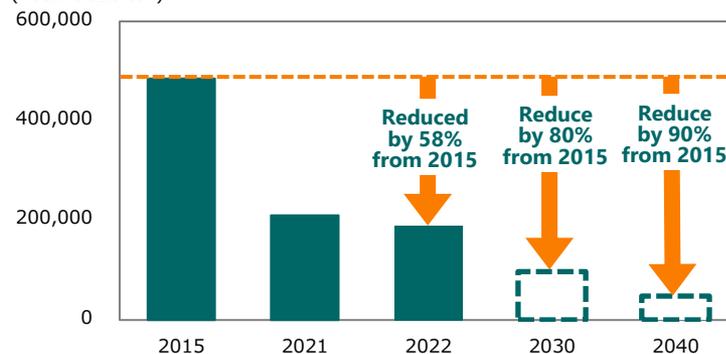


Collaboration with customers

- SKF has produced bearings with 90% less carbon emission than its standard, using OVAKO's high quality bearing steel.
- OVAKO has participated in Volvo's climate-neutral car project.

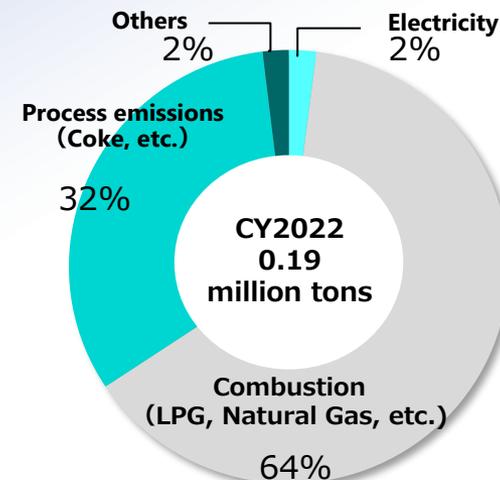
OVAKO's Roadmap: CO₂ emissions, scope 1&2

(Total CO₂e ton)



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2022

Breakdown of OVAKO's CO₂ emissions



Fossil-free hydrogen initiative by OVAKO

- The fossil-free hydrogen production plant at Hofors has been realized with the support of the Swedish Energy Agency and collaboration with key players in Sweden and Norway, such as Volvo Group.
- The Total investment : 180MSEK
(Swedish government supports about 40% of them)
- The plant will generate 4,000 cubic meters of fossil-free hydrogen per hour (approximately 3,000 t/year) by electrolysis of water using fossil-free electricity.
- The conversion to hydrogen will enable OVAKO to reduce Hofors' CO₂ emissions from the process of re-heating steel before rolling by 50 percent (approximately 20,000 t/year) from an already low level.



the Hofors mill



[Locations]

- Headquarter
- Steel mills
- Secondary Processing mills
- Sales offices

[Sweden's feature]

- The ratio of defossil power (Hydrogen, Wind, Nuclear) is overwhelmingly high
- Industrial electric charges are 1/2 ~ 1/3 of charges in Japan

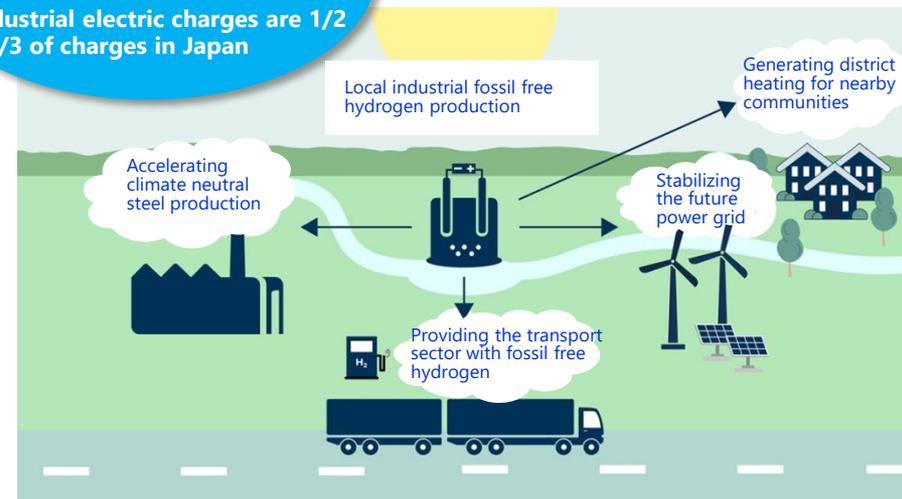
OVAKO's full-scale trial using hydrogen to heat steel before rolling

In April 2020, OVAKO has conducted a full-scale trial using hydrogen to heat steel before rolling at the Hofors mill in Sweden.



(Reference) Financial Support System in Sweden

- **Industriklivet (= Industrial Evolution)**
 - The program to support technical development towards the transition for zero GHG emissions in Swedish mining and industrial sector (supervising : the Swedish Energy Agency)
 - The budget for 2021 : 750MSEK (2020 : 600MSEK)
The financial support will continue until 2028

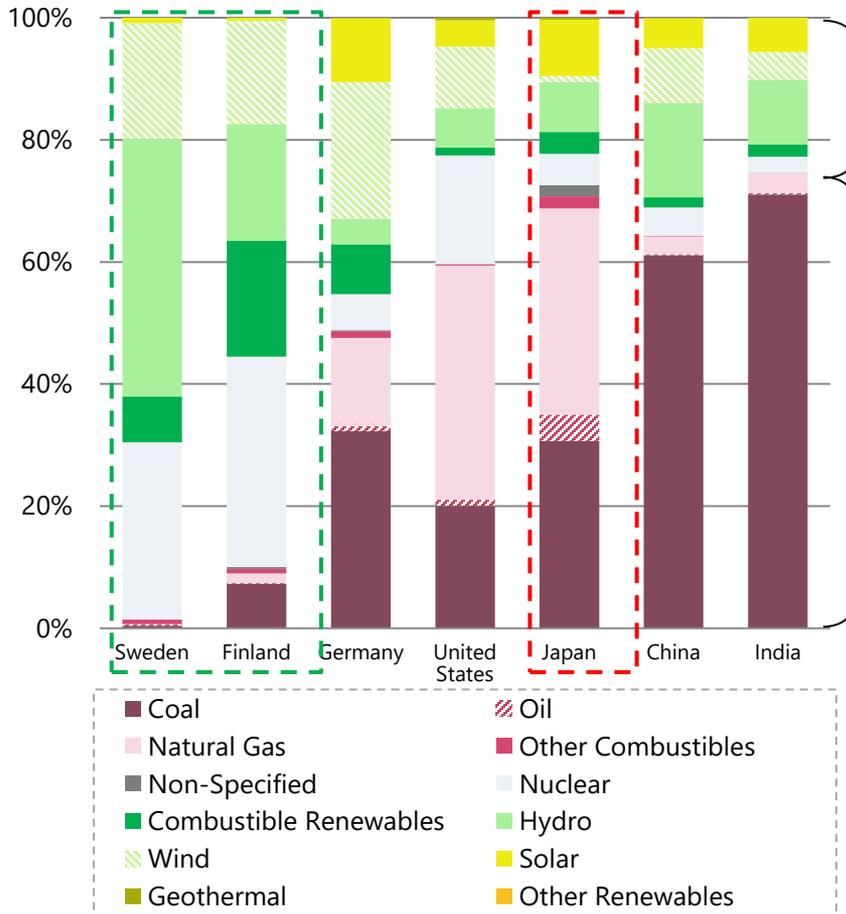


This technical solution will be the first step in development of hydrogen infrastructure which is expected to contribute to supplying for fuel cell-powered trucks, improving stability of the power grid, and utilizing the residual heat which can be utilized in adjacent communities heating networks.

Electricity Mix and Prices of major Countries

Electricity mix as of 2022

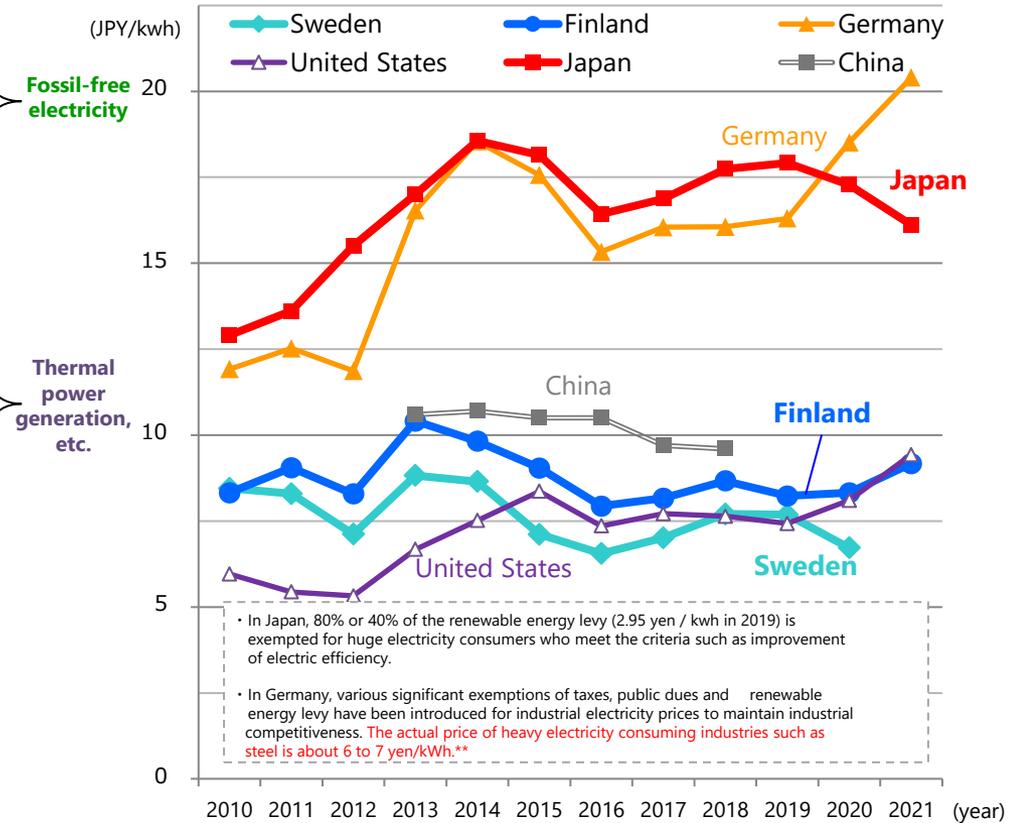
The ratios of carbon free electricity (hydropower, wind power, nuclear power) in Sweden and Finland, where OVAKO's production sites are located, is overwhelmingly high compared to other nations.



*Made by Sanyo based on IEA's Monthly Electricity Statistics

Industrial electricity prices*

Industrial electricity prices in Sweden and Finland are about one-half to one-third of that of Japan.



* In Japan, 80% or 40% of the renewable energy levy (2.95 yen / kWh in 2019) is exempted for huge electricity consumers who meet the criteria such as improvement of electric efficiency.
 * In Germany, various significant exemptions of taxes, public dues and renewable energy levy have been introduced for industrial electricity prices to maintain industrial competitiveness. The actual price of heavy electricity consuming industries such as steel is about 6 to 7 yen/kWh.**

*Made by Sanyo based on "Industrial electricity prices in the IEA" from Department for Business, Energy, and Industrial Strategy of UK and "Chinese electric power system reforms" from Renewable Energy Institute

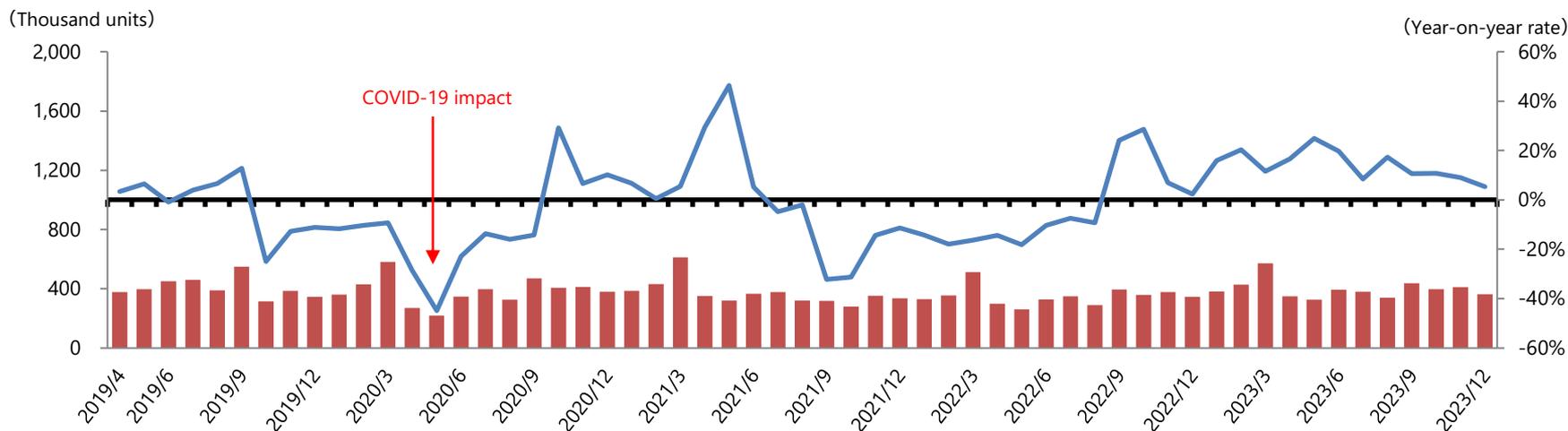
**International Environment and Economy Institute (Realities of the carbon pricing of overseas)

5. Reference

Trends in Automobile Market

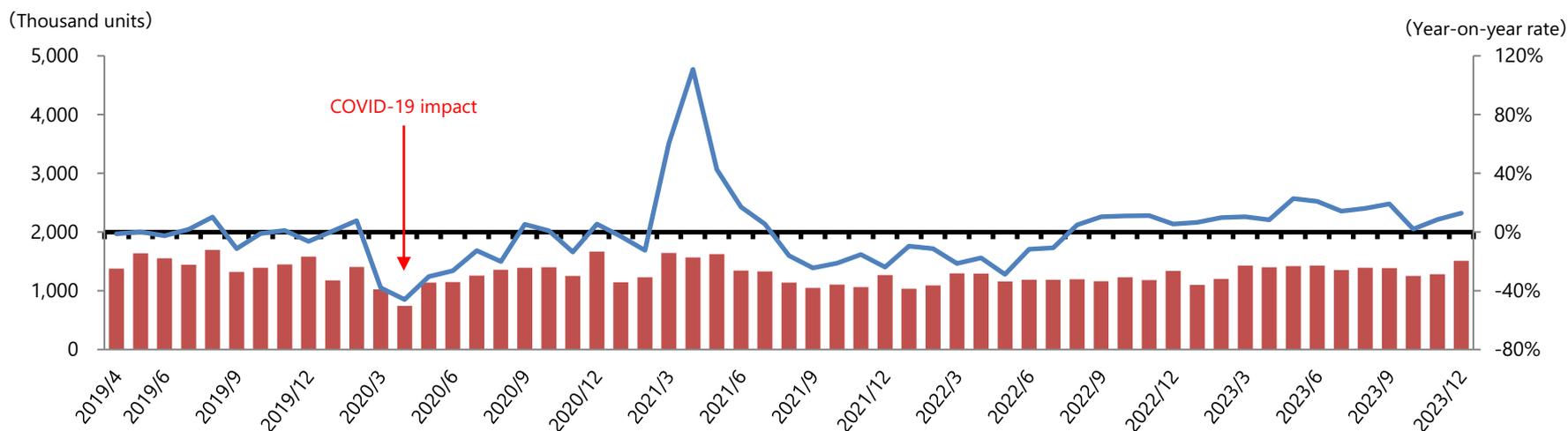
Units of automobile sales in Japan

Source: MarkLines Co., Ltd.



Units of automobile sales in U.S.

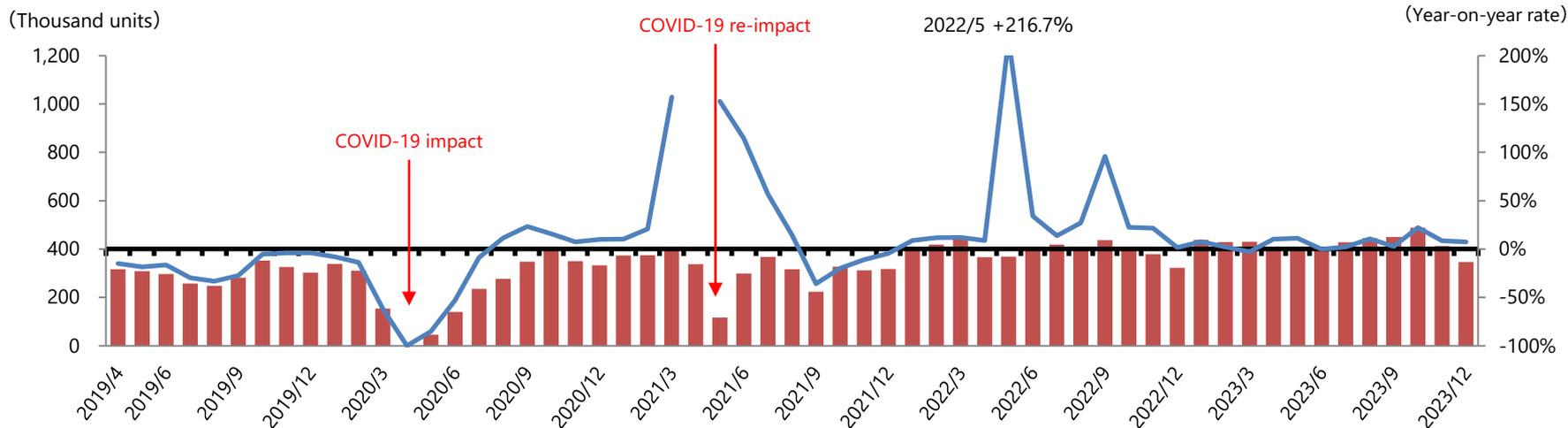
Source: MarkLines Co., Ltd.



Trends in Automobile Market

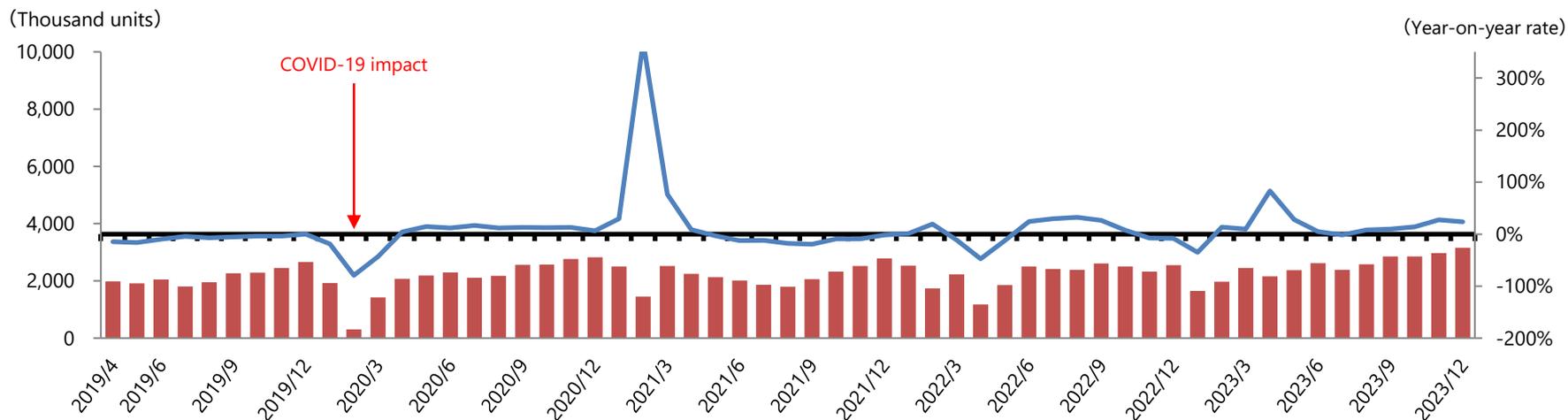
Units of automobile sales in India

Source: MarkLines Co., Ltd.



Units of automobile sales in China(Factory shipment base)

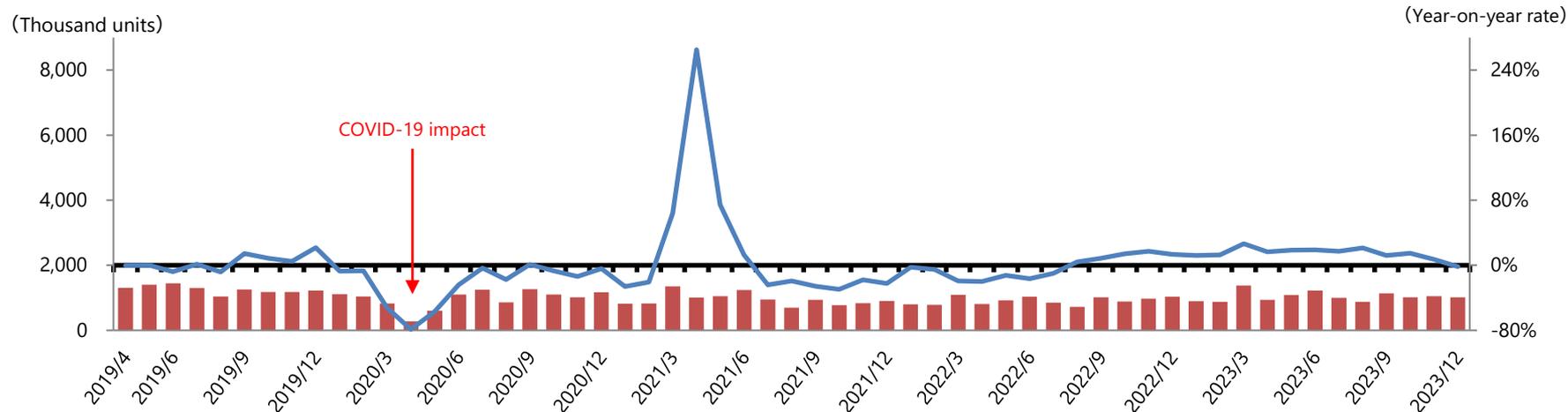
Source: MarkLines Co., Ltd.



Trends in Automobile Market

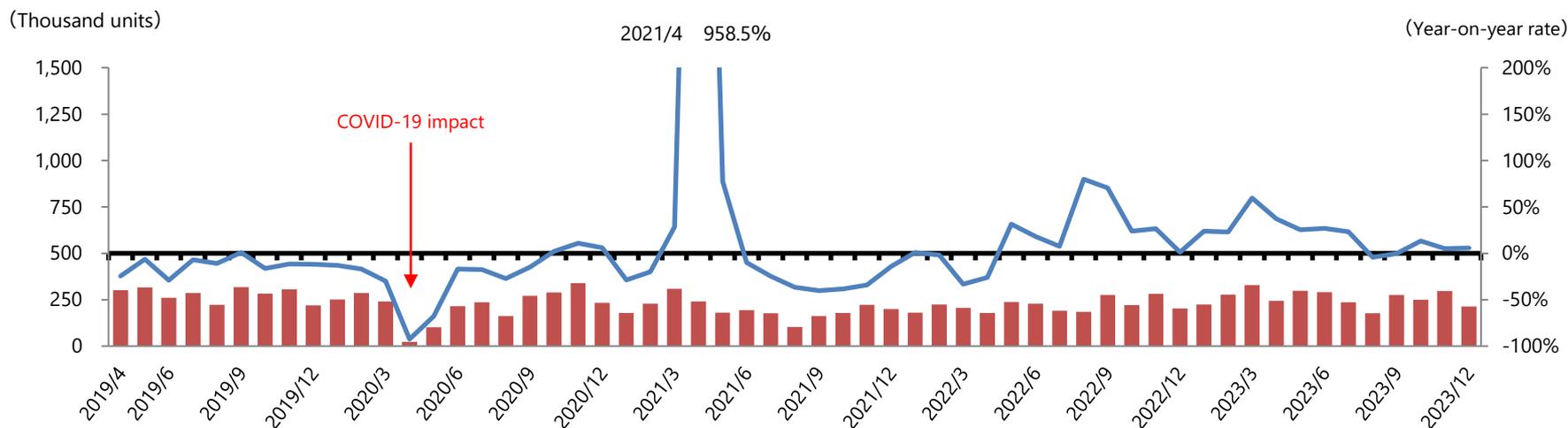
Units of automobile sales in Europe

Source: ACEA



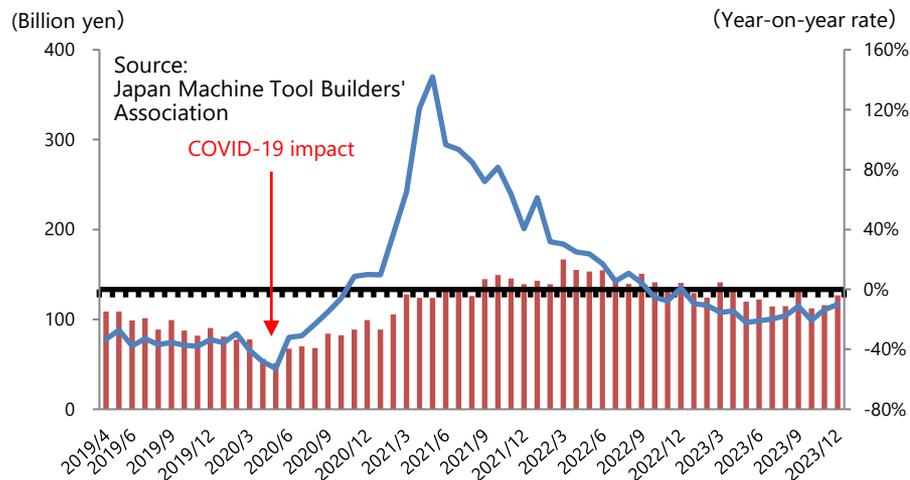
Units of automobile export from Germany

Source: VDA

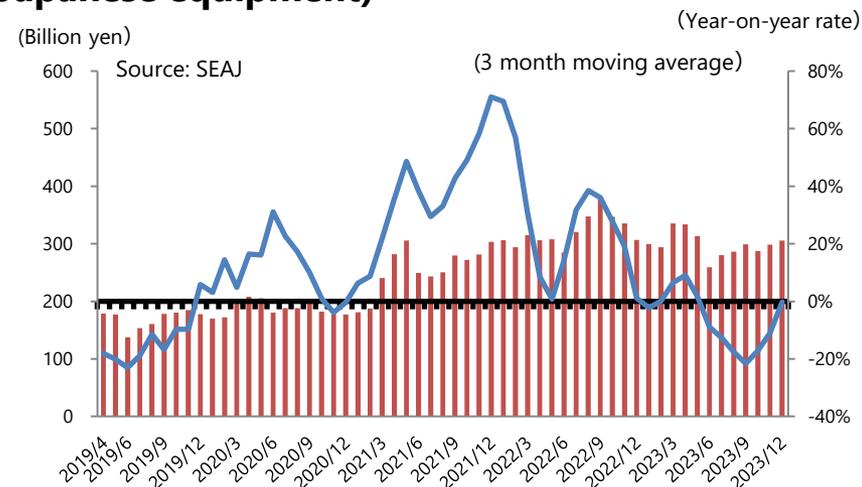


Trends in Industrial Machinery and Construction Machinery Market

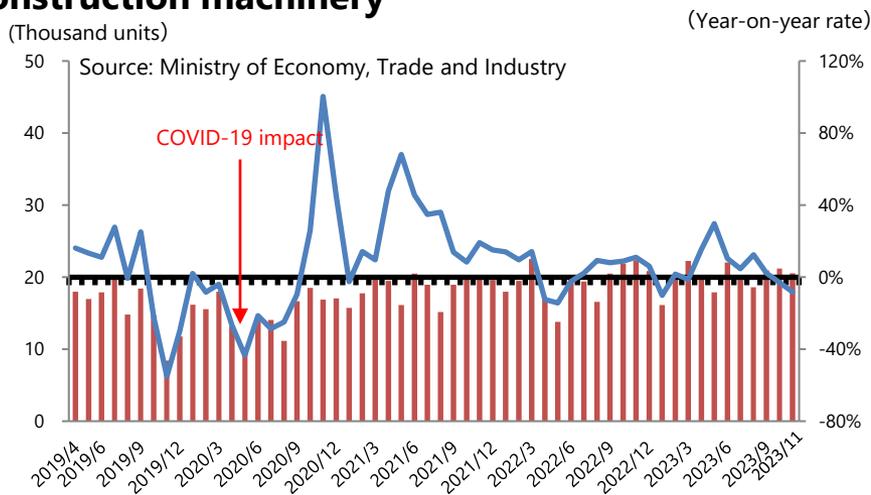
Sales amount of machine tool orders(Japan)



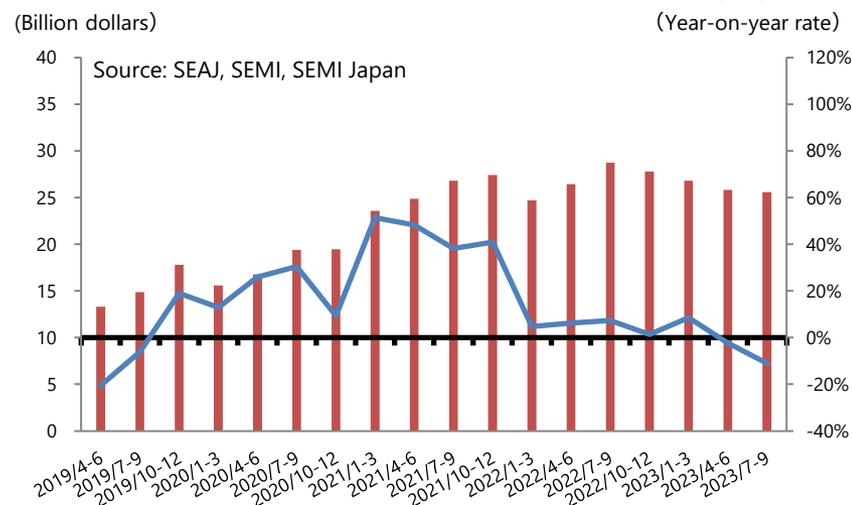
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery

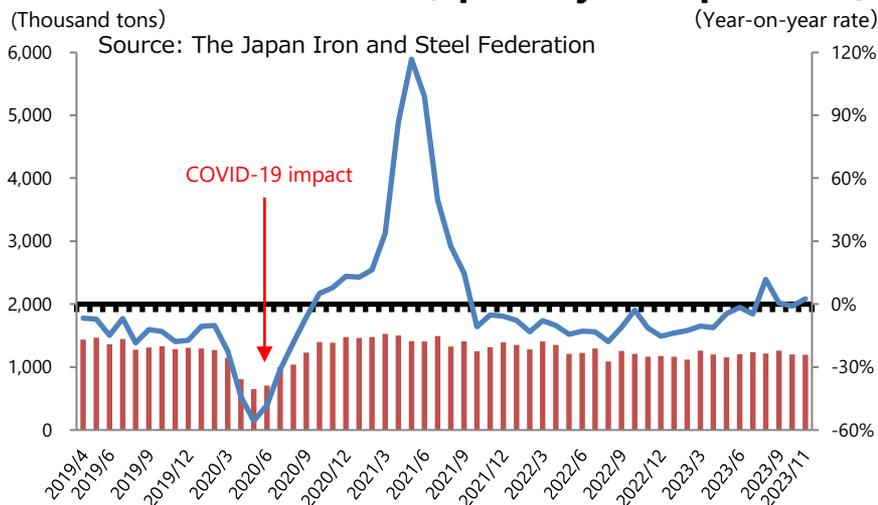


Sales amount of world wide semiconductor equipment

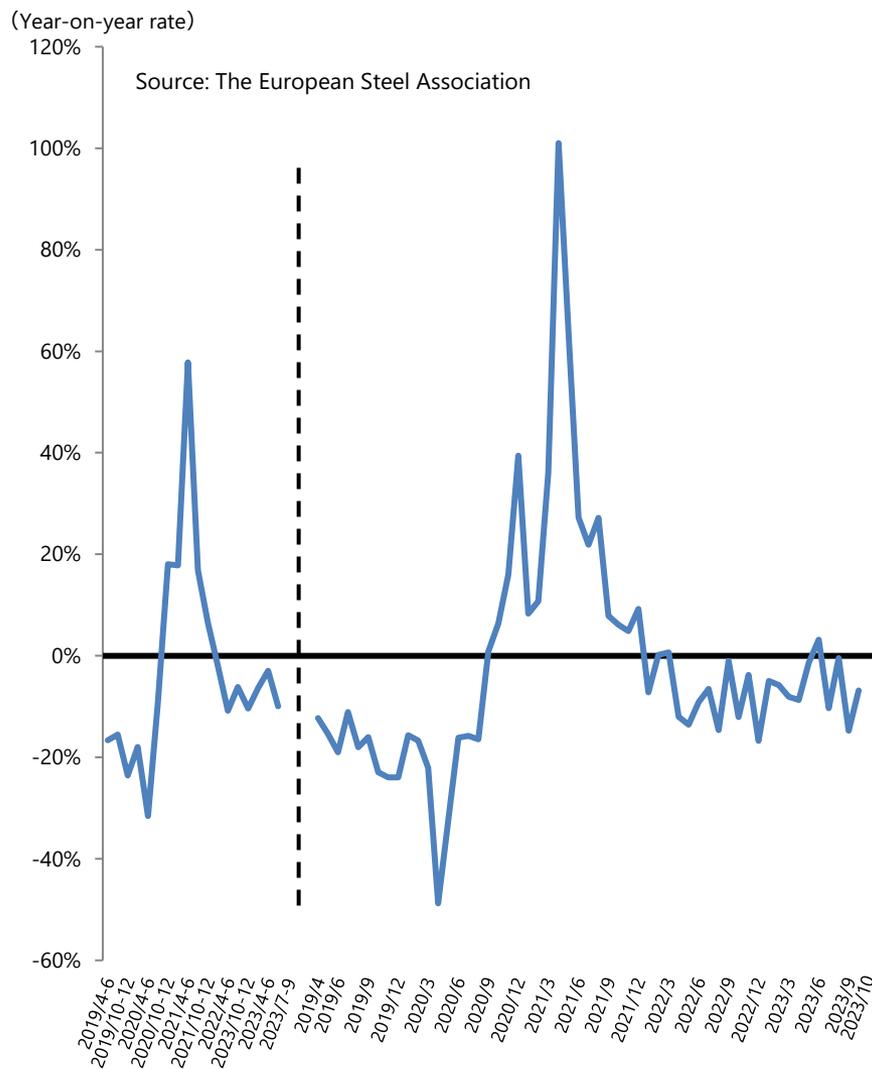


Trends in Special Steel Market

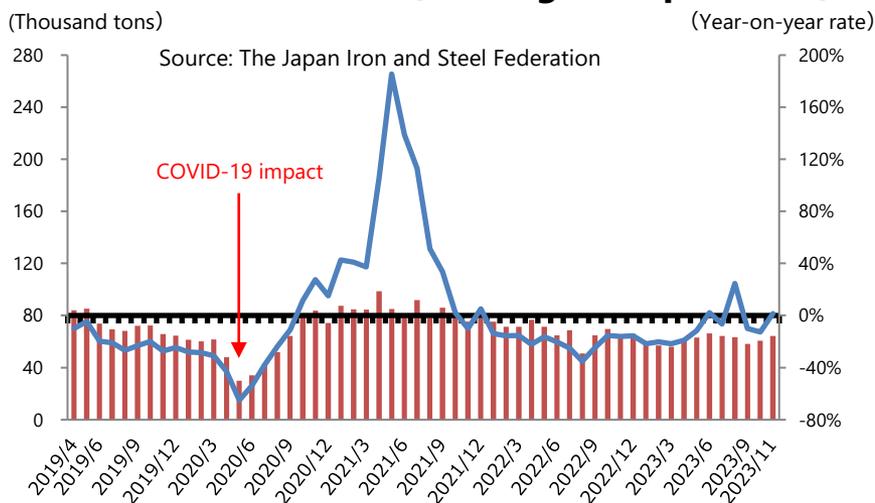
Volume of order booked (Specialty steel products)



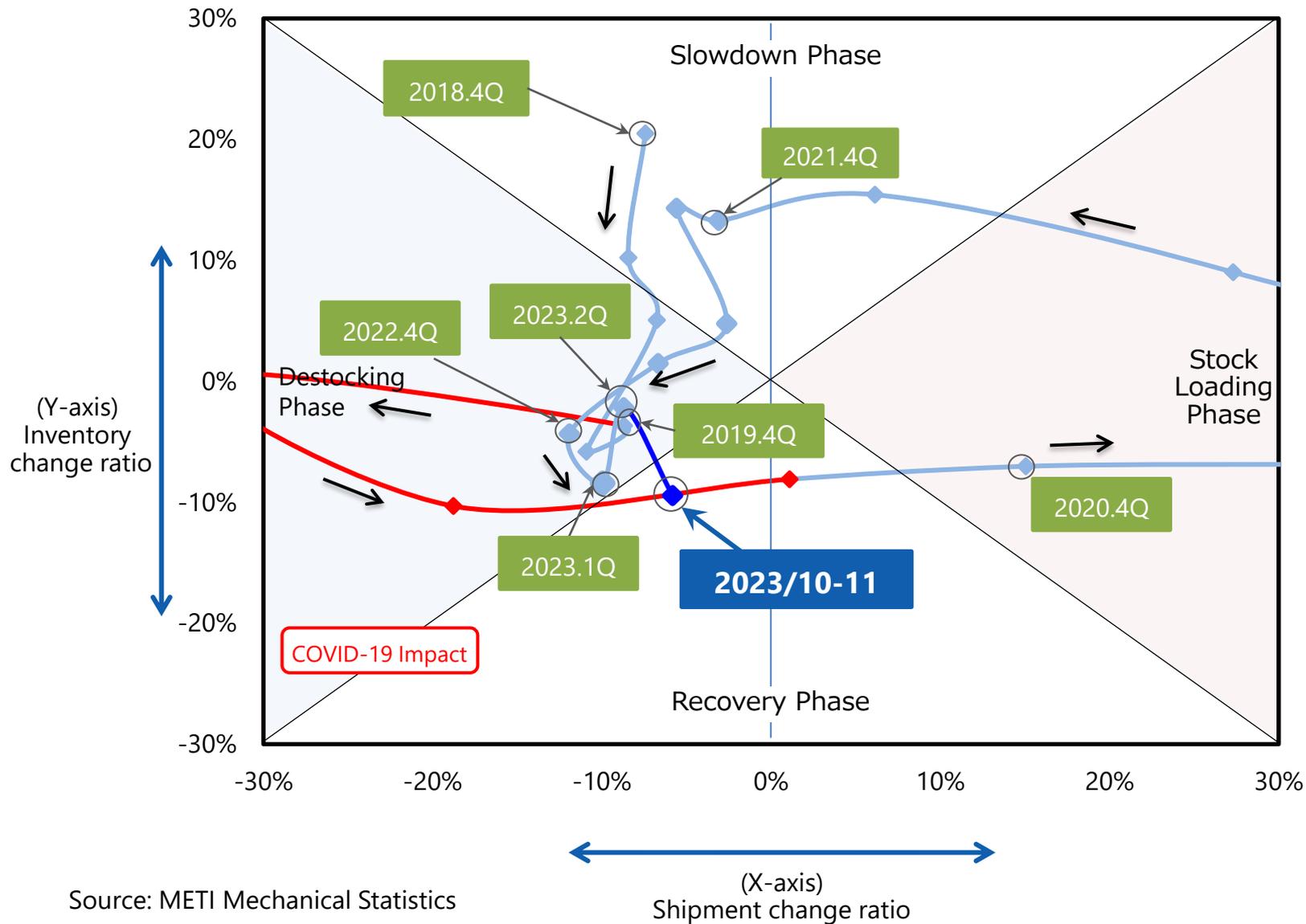
Volume of European deliveries : Bars and Flats / Alloy Engineering Steel



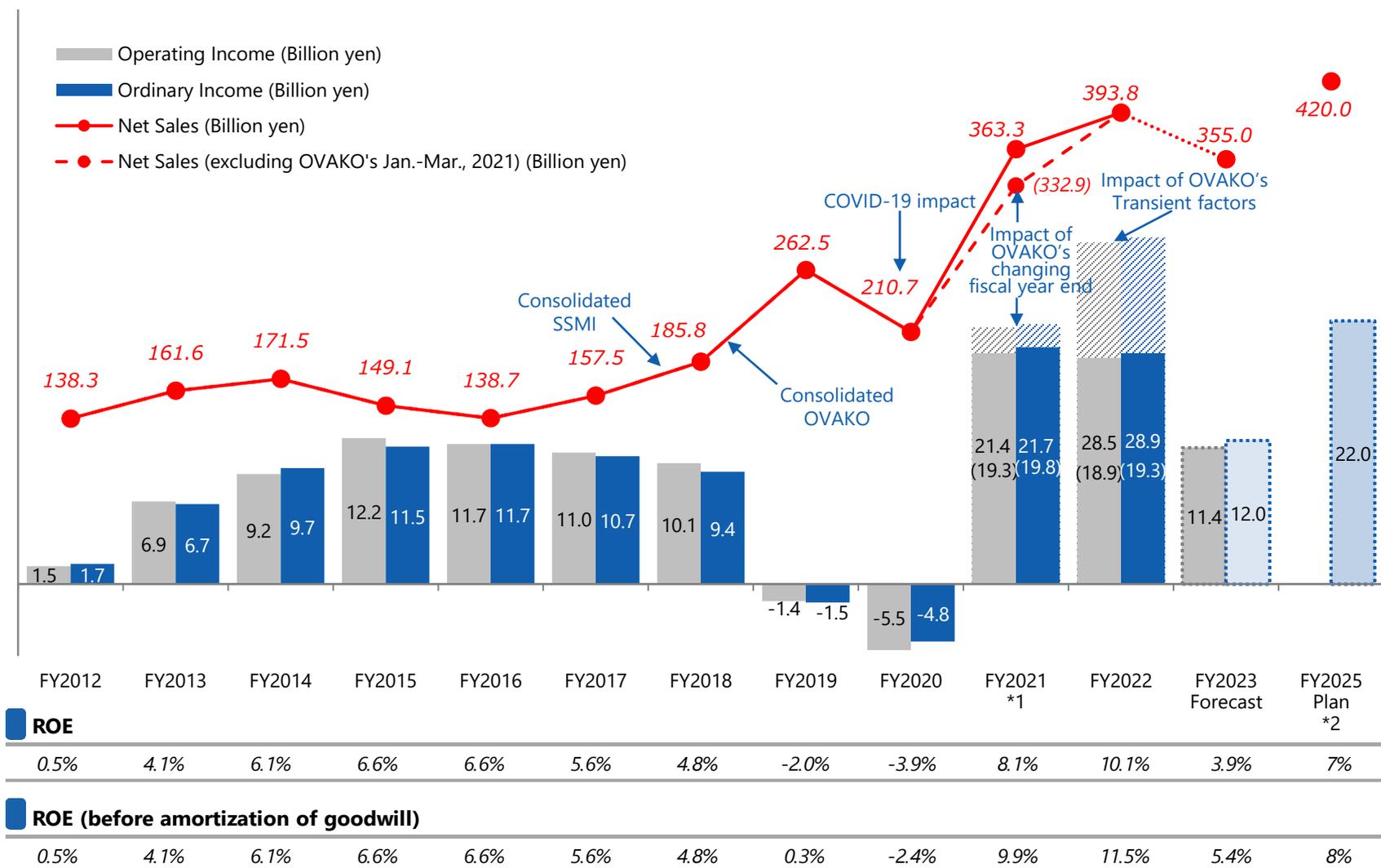
Volume of order booked (Bearing steel products)



Inventory Circulation Diagram (Bearing Products)



Net Sales and Income (Fiscal)

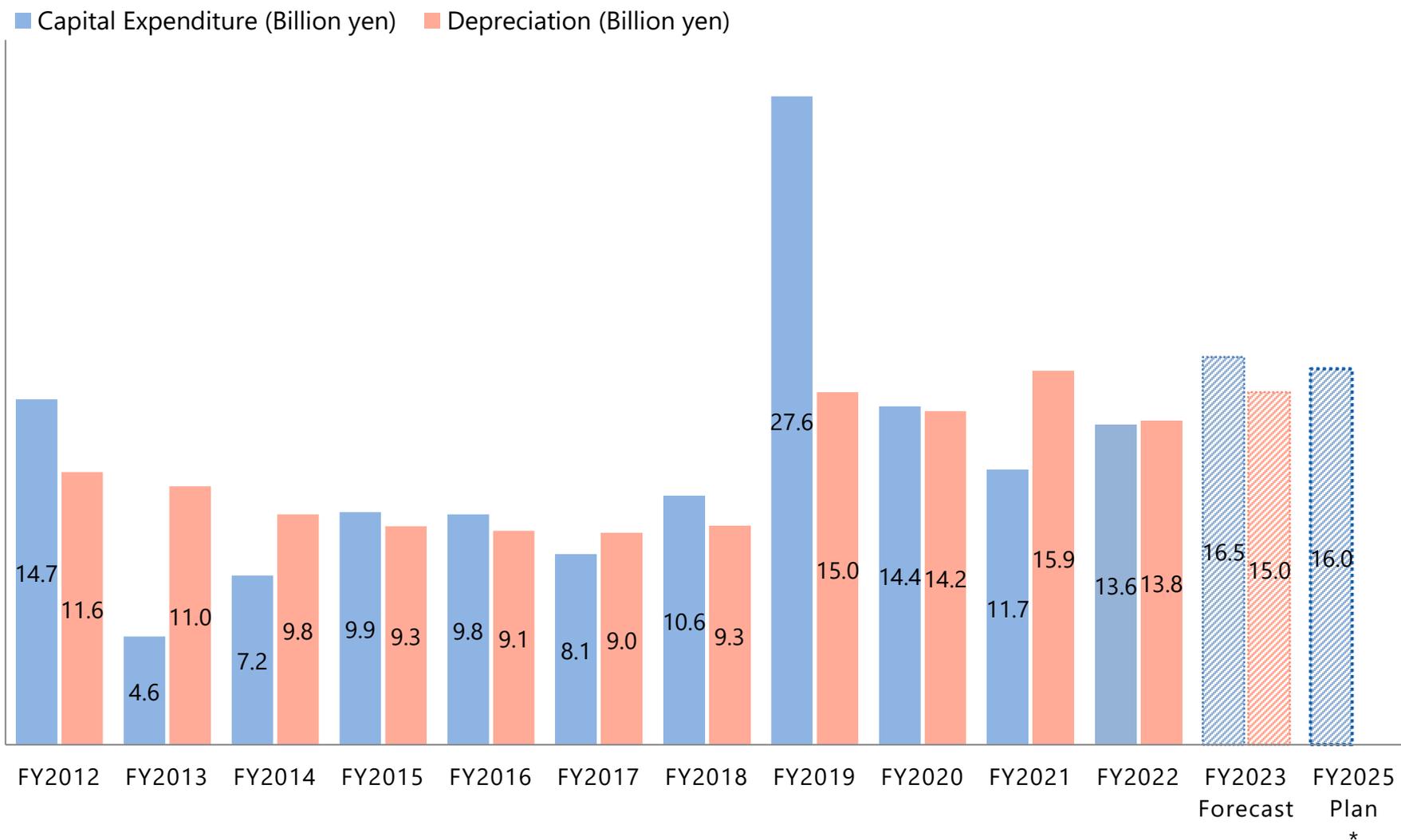


*1 FY2021 reflects numbers of OVAKO by 15 months from Jan. 2021 to Mar. 2022.

*2 Revised 2025 Medium-term Management Plan announced on Jul. 28, 2023

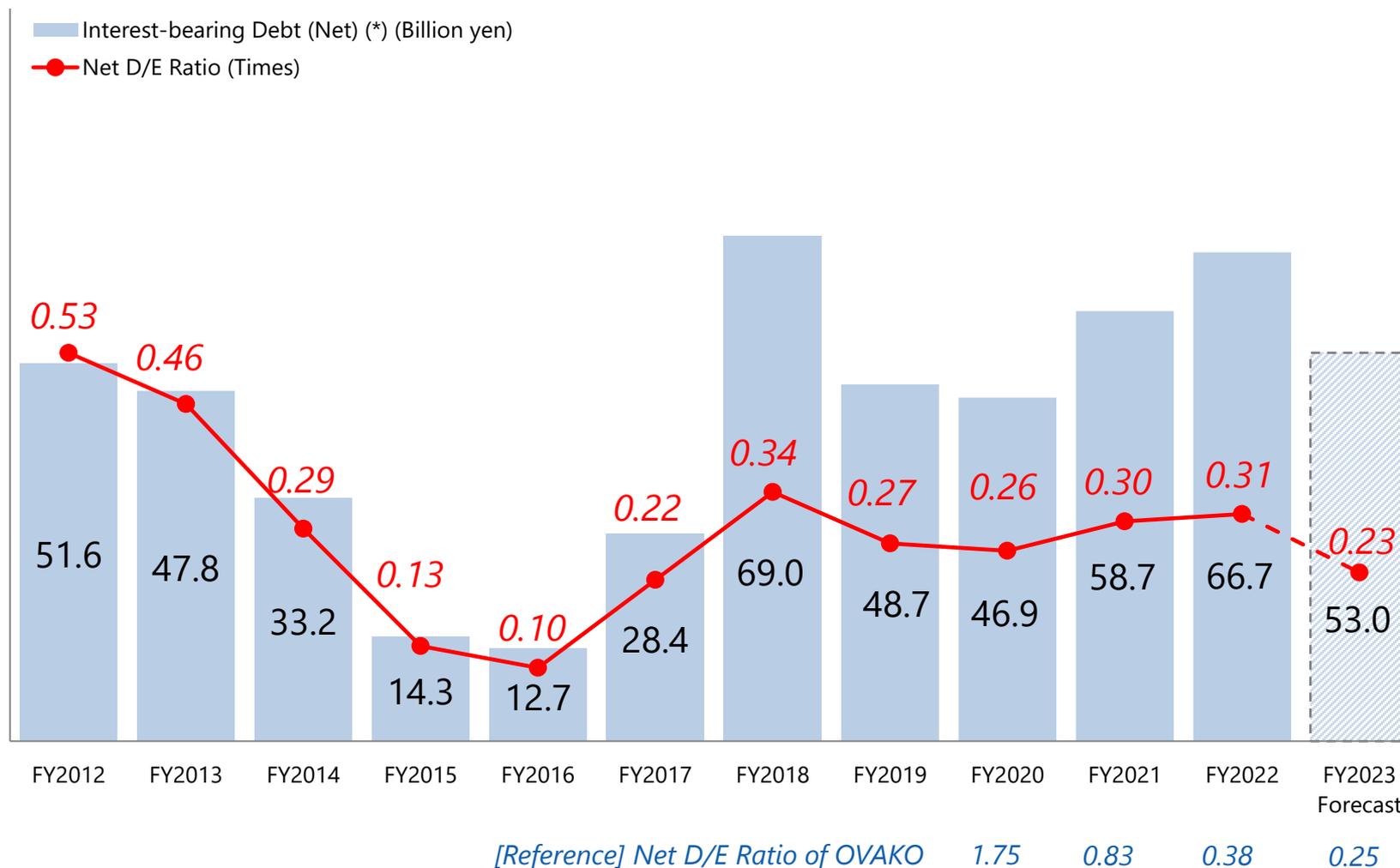
*3 SSMI has been consolidated since FY2018/2Q, and OVAKO has been consolidated since FY2019/1Q for profit and loss.

Capital Expenditure and Depreciation



* Revised 2025 Medium-term Management Plan announced on Jul. 28, 2023

D/E Ratio



(*) Interest-bearing Debt (Net) = Interest-bearing Debt – (cash + deposits paid to affiliated company)

Details of Statements of Income (FY2023/1~3Q vs. FY2022/1~3Q)

(Unit: Billion yen, Yen per share)

	FY2023/1~3Q	FY2022/1~3Q	Change (B) → (A)	
	(A)	(B)	Amount	Ratio (%)
Net Sales	269.0	294.4	-25.4	-8.6
(Sanyo)	139.3	146.2	-6.9	-4.7
(OVAKO)	106.9	126.7	-19.8	-15.7
(SSMI)	17.1	15.8	+1.3	+8.5
Operating Income	8.8	20.4	-11.6	-56.8
(Sanyo)	3.5	7.9	-4.5	-56.6
(OVAKO)	6.7	13.9	-7.2	-51.9
(SSMI)	0.7	-0.1	+0.8	—
(Amortization of goodwill)	-2.4	-2.2	-0.2	—
Ordinary Income	9.1	20.7	-11.6	-56.1
(Sanyo)	7.6	9.5	-1.9	-19.6
(OVAKO)	6.1	13.9	-7.8	-56.1
(SSMI)	0.5	-0.4	+0.8	—
(Amortization of goodwill)	-2.4	-2.2	-0.2	—
Net Income ^{*1}	6.3	14.8	-8.4	-57.2
Earnings Per Share	115.9	270.9	-155.0	-57.2
Operating Income before amortization of goodwill	11.2	22.6	-11.4	-50.3
Ordinary Income before amortization of goodwill	11.5	22.9	-11.4	-49.8
Net Income before amortization of goodwill	8.7	16.9	-8.2	-48.5
Earnings Per Share before amortization of goodwill	160.1	310.9	-150.8	-48.5
Sales volume (Thousand tons)	1,092	1,210	-119	-9.8
(Sanyo)	629	681	-52	-7.6
(OVAKO)	376	451	-75	-16.5
(SSMI)	86	78	+8	+10.2

*1 Profit attributable to owners of parent *2 The consolidated accounting period for SSMI is Jan. to Sep.

Details of Statements of Income

(FY2023 Forecast announced on February 2, 2024 vs. FY2022)

(Unit: Billion yen, Yen per share)

	FY23/1H	FY23/2H	FY2023 (Forecast)	FY2022	Change (D) → (C)	
	Result (A)	Forecast (B)	(C)=(A)+(B)	(D)	Amount	Ratio (%)
Net Sales	185.3	169.7	355.0	393.8	-38.8	-9.9
(Sanyo)	96.2	79.8	176.0	193.2	-17.2	-8.9
(OVAKO)	74.1	73.9	148.0	171.1	-23.1	-13.5
(SSMI)	11.2	11.8	23.0	21.6	+1.4	+6.4
Operating Income	7.3	4.1	11.4	28.5	-17.1	-60.0
(Sanyo)	2.7	1.5	4.2	8.7	-4.5	-51.5
(OVAKO)	5.6	3.5	9.1	21.4	-12.3	-57.4
(SSMI)	0.5	0.5	1.0	0.2	+0.8	+480.1
(Amortization of goodwill)	-1.6	-1.6	-3.2	-2.9	-0.3	—
Ordinary Income	7.8	4.2	12.0	28.9 *	-16.9	-58.4
(Sanyo)	6.9	1.6	8.5	10.2	-1.7	-16.7
(OVAKO)	5.1	3.4	8.5	21.1	-12.6	-59.8
(SSMI)	0.3	0.4	0.7	-0.2	+0.9	—
(Amortization of goodwill)	-1.6	-1.6	-3.2	-2.9	-0.3	—
Net Income ^{*1}	5.2	3.3	8.5	20.7	-12.2	-59.0
Earnings Per Share	96.1		156.0	380.7	-224.7	-59.0
Operating Income before amortization of goodwill	8.9	5.7	14.6	31.4	-16.8	-53.5
Ordinary Income before amortization of goodwill	9.4	5.8	15.2	31.8	-16.6	-52.2
Net Income before amortization of goodwill	6.8	4.9	11.7	23.7	-12.0	-50.6
Earnings Per Share before amortization of goodwill	125.3		214.7	434.4	-219.6	-50.6
Sales volume (Thousand tons)	739	710	1,450	1,607	-158	-9.8
(Sanyo)	427	390	817	894	-77	-8.6
(OVAKO)	256	262	517	608	-91	-15.0
(SSMI)	56	59	115	105	+10	+9.5

*1 Profit attributable to owners of parent *2 The consolidated accounting period for SSMI is Jan. to Dec.

* Ordinary income excluding impact of OVAKO's transient factors : 19.3 billion yen

Details of Statements of Income

(FY2023 Revised Forecast announced on February 2, 2024 vs. Previous Forecast)

(Unit: Billion yen, Yen per share)

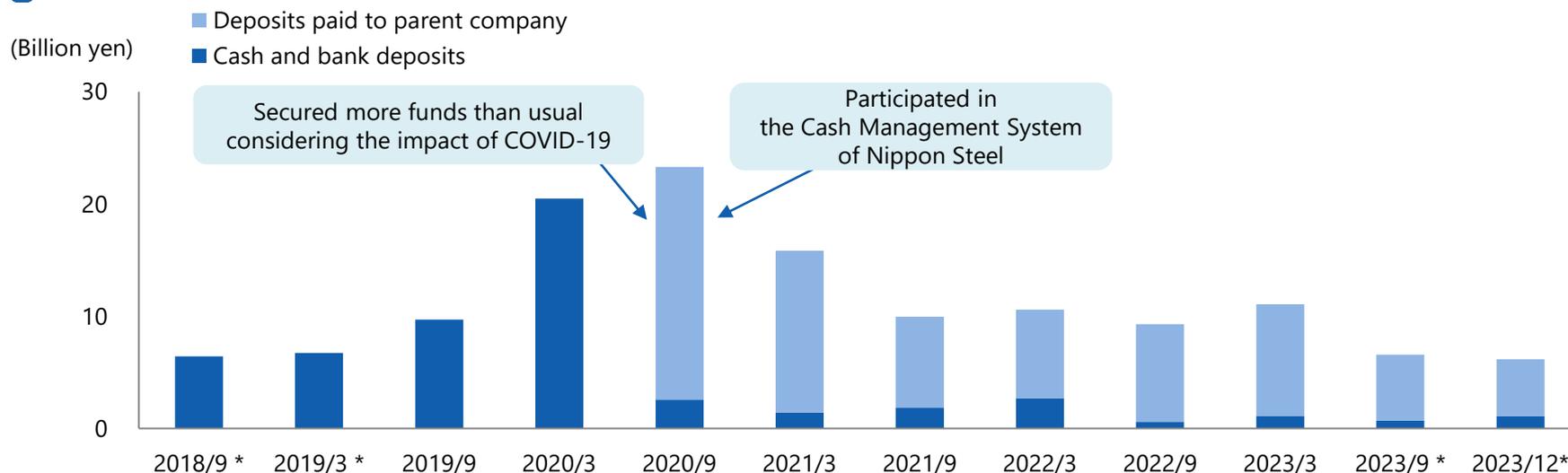
	Revised Forecast (Announced on Feb. 2, 2024)			Previous Forecast (Announced on Oct. 31, 2023)		Change (D) → (C)
	FY23/1H Result (A)	FY23/2H Forecast (B)	FY2023 (C)=(A)+(B)	FY23/2H Forecast	FY2023 (D)	
	Net Sales	185.3	169.7	355.0	194.7	380.0
(Sanyo)	96.2	79.8	176.0	90.8	187.0	-11.0
(OVAKO)	74.1	73.9	148.0	85.9	160.0	-12.0
(SSMI)	11.2	11.8	23.0	13.8	25.0	-2.0
Operating Income	7.3	4.1	11.4	12.7	20.0	-8.6
(Sanyo)	2.7	1.5	4.2	6.2	8.9	-4.7
(OVAKO)	5.6	3.5	9.1	6.2	11.8	-2.7
(SSMI)	0.5	0.5	1.0	0.7	1.2	-0.2
(Amortization of goodwill)	-1.6	-1.6	-3.2	-1.6	-3.2	—
Ordinary Income	7.8	4.2	12.0	12.2	20.0	-8.0
(Sanyo)	6.9	1.6	8.5	6.4	13.3	-4.8
(OVAKO)	5.1	3.4	8.5	5.9	11.0	-2.5
(SSMI)	0.3	0.4	0.7	0.4	0.7	—
(Amortization of goodwill)	-1.6	-1.6	-3.2	-1.6	-3.2	—
Net Income ^{*1}	5.2	3.3	8.5	8.8	14.0	-5.5
Earnings Per Share	96.1		156.0		257.0	-100.9
Operating Income before amortization of goodwill	8.9	5.7	14.6	14.3	23.2	-8.6
Ordinary Income before amortization of goodwill	9.4	5.8	15.2	13.8	23.2	-8.0
Net Income before amortization of goodwill	6.8	4.9	11.7	10.4	17.2	-5.5
Earnings Per Share before amortization of goodwill	125.3		214.7		315.7	-100.9
Sales volume (Thousand tons)	739	710	1,450	796	1,535	-85
(Sanyo)	427	390	817	426	853	-36
(OVAKO)	256	262	517	304	560	-43
(SSMI)	56	59	115	66	122	-7

*1 Profit attributable to owners of parent *2 The consolidated accounting period for SSMI is Jan. to Dec.

Deposits Paid to Parent Company

- Sanyo participated in the Cash Management System of Nippon Steel from June 2020.
- Sanyo's balance is daily deposited into Nippon Steel's account and it can be withdrawn at any time.
- If some shortage of funds occur, emergency loan for Sanyo will be issued automatically.
- Sanyo earns interest rates higher than that of deposits to banks.
- [Deposits paid to parent company is equivalent to cash and bank deposits](#), since the deposits paid to parent company can be utilized as working capital of Sanyo at any time when necessary.

Cash and Deposits Including Deposits Paid to Parent Company (Sanyo)



* Including impact of financial institution holidays

(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.

SANYO SPECIAL STEEL - the Confident Choice



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