

# Overview of Business Results

for the 1st Quarter of Fiscal Year Ending March 31, 2025

(April 2024 → June 2024)

**July 30, 2024**

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

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



Santo-kun  
(Our mascot)

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# **1. FY2024/1Q Results**

# Outline of Statements of Income

**Ordinary Income : 2.8 billion yen (-3.3 billion yen against FY2023/1Q)**

**Revenue and profit declined due to lower sales volume and significantly smaller positive one-off effects at OVAKO.**

- Despite improvement in margin facilitated by sales price amendments to encounter rising outsourcing, logistics and labor costs, YOY revenue and profit decreased due to lower sales volume and diminished positive one-off effects at OVAKO.

(Unit: Billion yen)

	FY2024/1Q (A)		FY2023/1Q (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
<b>Net Sales</b>	<b>88.5</b>	<b>100.0</b>	99.9	100.0	<b>-11.3</b>	<b>-11.4</b>
<b>Operating Income</b>	<b>2.5</b>	<b>2.8</b>	5.5	5.5	<b>-3.0</b>	<b>-55.3</b>
<b>Ordinary Income</b>	<b>2.8</b>	<b>ROS 3.2</b>	6.1	ROS 6.1	<b>-3.3</b>	<b>-53.5</b>
(Sanyo)	1.4	3.6	2.0	4.2	<b>-0.6</b>	<b>-30.7</b>
(OVAKO)	2.8	6.8	5.2	11.8	<b>-2.4</b>	<b>-45.6</b>
(SSMI)	0.2	3.2	0.2	2.9	+0.0	+13.4
(Amortization of goodwill)	<b>-0.9</b>	—	<b>-0.8</b>	—	<b>-0.1</b>	—
<b>Net Income<sup>*1</sup></b>	<b>2.0</b>	<b>2.3</b>	4.3	4.3	<b>-2.3</b>	<b>-52.9</b>
<b>Net Income before amortization of goodwill</b>	<b>2.9</b>	<b>3.3</b>	5.1	5.1	<b>-2.2</b>	<b>-42.9</b>
<b>Sales Volume (Thousand tons)</b>	<b>352</b> (per month) <b>117.4</b>		392 (per month) 130.6		<b>-40</b> (per month) <b>-13.2</b>	
(Sanyo)	175	58.2	213	71.0	<b>-38</b>	<b>-12.7</b>
(OVAKO)	150	50.1	152	50.7	<b>-2</b>	<b>-0.6</b>
(SSMI)	27	9.0	27	8.9	+0	+0.1

\*1 Profit attributable to owners of parent

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

# Business Environment

## Demand Trends

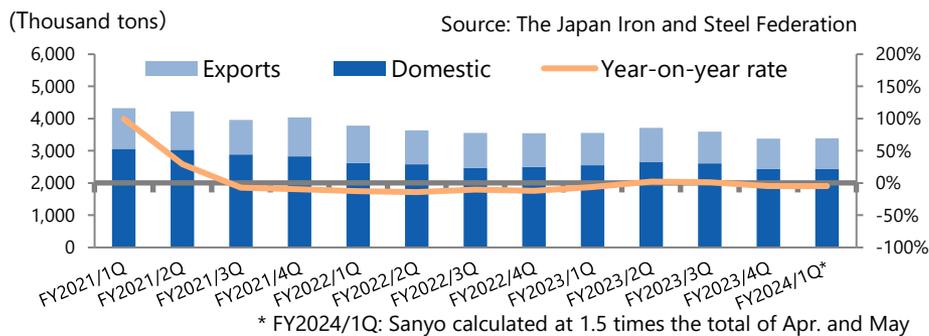
**Japan** : Activities in industrial machinery sector has shown some trends of recovery, but activities in automotive related sectors still stagnate, triggered by production and shipment halts in FY2024/1Q. We consider destocking in major sectors will be completed around FY2024/2Q.

**Europe** : Demand remained sluggish due to high interest rates in Europe and slower-than-expected economic recovery in China. Demand recovery is anticipated in FY2024/2H following interest rate cuts.

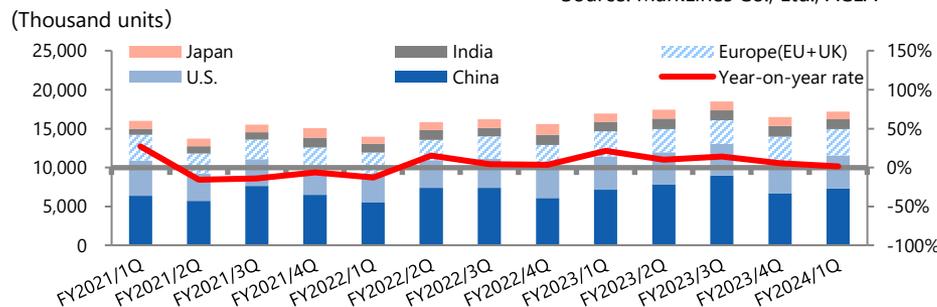
## Raw Material and Fuel Prices

In FY2024, raw material and fuel prices are expected to decline on YOY basis but still would stay at historically high levels. Inflationary pressure on logistics and labor related costs will persist.

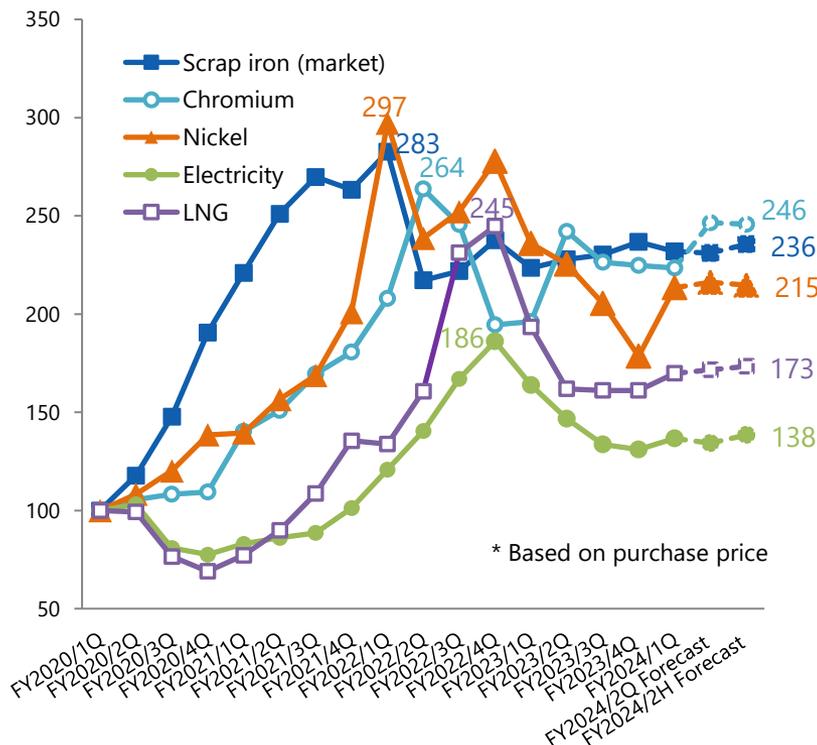
### 1. Volume of Order Booked (Specialty Steel Products)



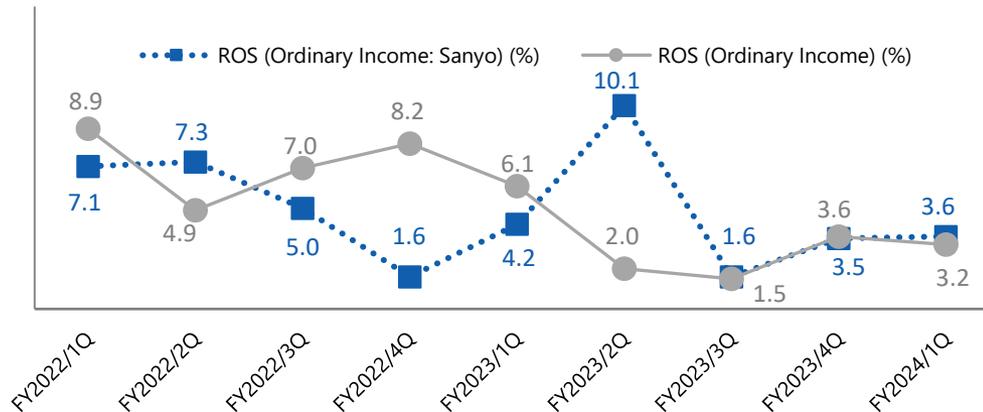
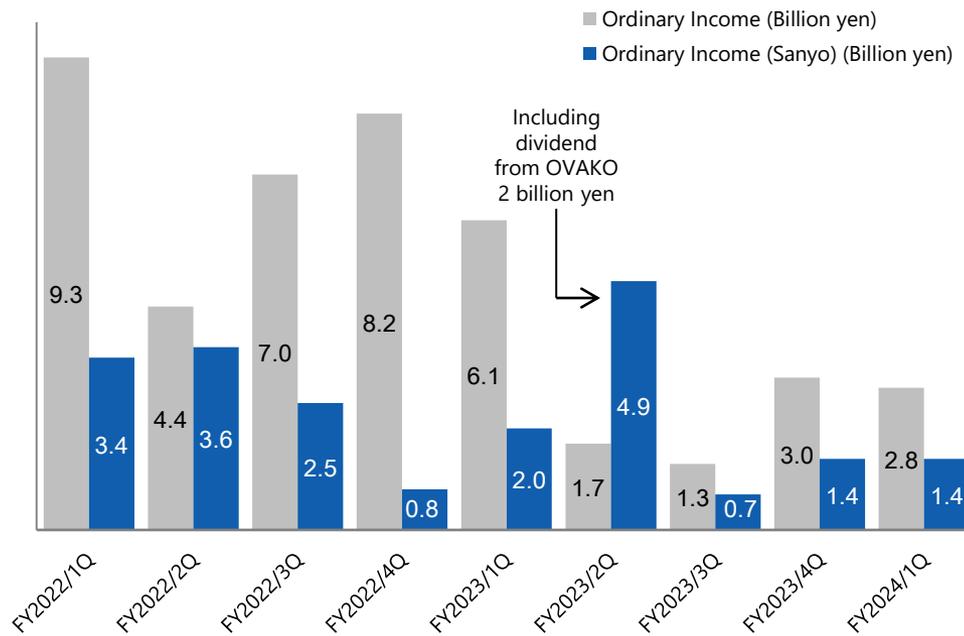
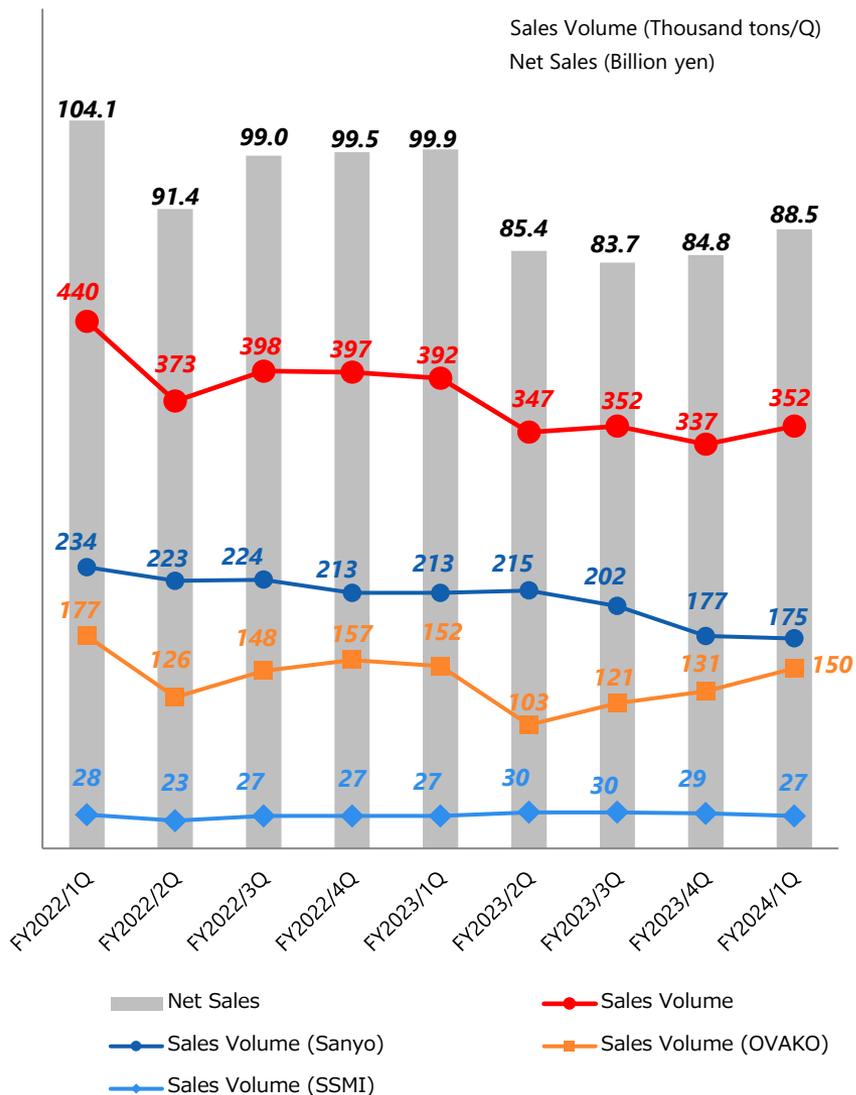
### 2. Units of Automobile Sales



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



# Net Sales and Income (Quarterly)



# Earnings by Business Segment

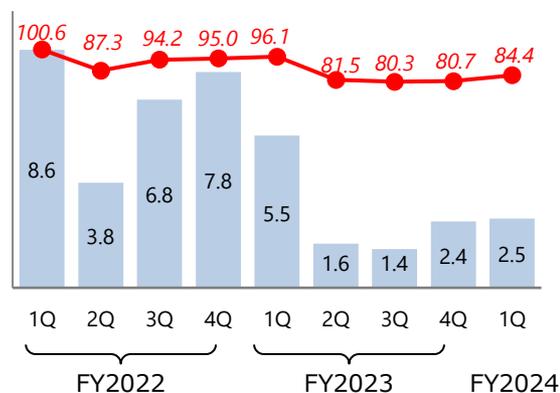
(Unit: Billion yen)

	FY2024/1Q (A)			FY2023/1Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	84.4	2.5	3.0	96.1	5.5	5.7	-11.7	-2.9	-2.7
Metal Powders	1.4	0.3	18.9	1.4	0.3	18.1	-0.0	+0.0	+0.8
Formed and Fabricated Materials	4.4	-0.4	-8.3	4.5	-0.3	-5.8	-0.1	-0.1	-2.5
<b>Sub-total</b>	<b>90.1</b>	<b>2.4</b>	<b>2.7</b>	<b>102.0</b>	<b>5.5</b>	<b>5.4</b>	<b>-11.8</b>	<b>-3.0</b>	<b>-2.7</b>
Others	0.3	0.0	0.5	0.3	-0.0	-1.7	+0.1	+0.0	+2.2
Adjustments	-1.9	0.0	—	-2.3	0.0	—	+0.4	-0.0	—
<b>Consolidated total</b>	<b>88.5</b>	<b>2.5</b>	<b>2.8</b>	<b>99.9</b>	<b>5.5</b>	<b>5.5</b>	<b>-11.3</b>	<b>-3.0</b>	<b>-2.7</b>

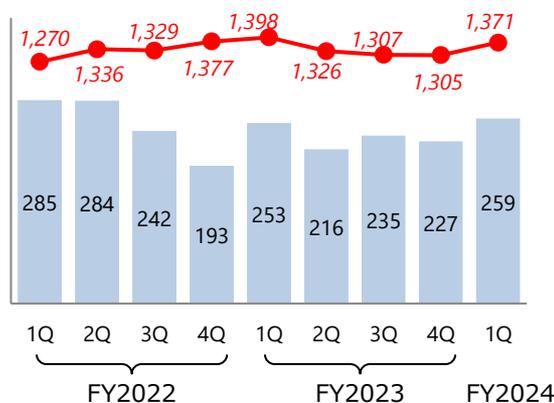
## Change in Business Segment

Operating Income   Sales

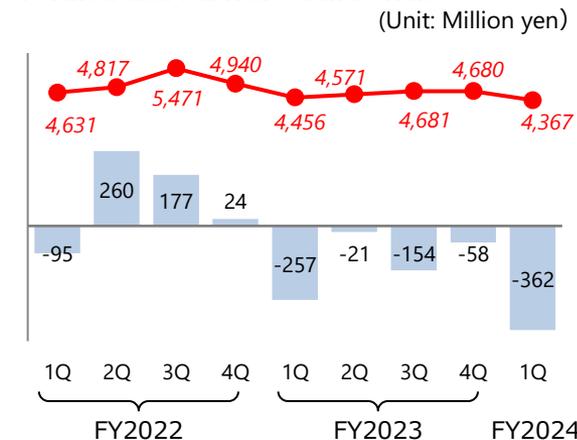
### Steel Products (Unit: Billion yen)



### Metal Powders (Unit: Million yen)



### Formed and Fabricated Materials (Unit: Million yen)



# Balance Sheets (Consolidated)

(Unit: Billion yen, Yen per share)

	2024/6 (A)	2024/3 (B)	Change (B) → (A)
<b>Current Assets</b>	<b>233.9</b>	<b>228.4</b>	<b>+5.5</b>
Cash and deposits	24.8	26.6	-1.8
Deposits paid to parent company	4.6	4.8	-0.2
Trade Receivables	75.9	72.9	+3.0
Inventories	122.8	119.2	+3.6
<b>Non-current Assets</b>	<b>174.9</b>	<b>170.3</b>	<b>+4.7</b>
Property, Plant and Equipment	127.4	123.5	+3.9
Goodwill	33.9	33.0	+0.9
Investments and Other Assets	9.6	9.8	-0.2
<b>Total Assets</b>	<b>408.9</b>	<b>398.7</b>	<b>+10.2</b>
<b>Liabilities</b>	<b>174.9</b>	<b>170.1</b>	<b>+4.8</b>
Trade Payables	38.7	39.4	-0.6
Interest-bearing Debt	93.4	82.9	+10.5
<b>Net Assets</b>	<b>234.0</b>	<b>228.6</b>	<b>+5.4</b>
Equity	232.5	226.7	+5.9
Non-controlling Interests	1.5	1.9	-0.4
<b>Total Liabilities and Net Assets</b>	<b>408.9</b>	<b>398.7</b>	<b>+10.2</b>
<b>Equity Ratio (%)</b>	<b>56.9</b>	<b>56.9</b>	<b>+0.0</b>
<b>Net Assets Per Share</b>	<b>4,267.81</b>	<b>4,160.27</b>	<b>+107.54</b>
<b>Net D/E Ratio (Times)</b>	<b>0.27</b>	<b>0.23</b>	<b>+0.04</b>

## Major Changes

### Assets

[Including foreign exchange impact +11.6 billion yen]

1. Trade Receivables : Increase due to foreign exchange impact
2. Inventories : Increase due to foreign exchange impact
3. Goodwill : Amortization -0.9, Foreign exchange impact +1.8

### Liabilities and Net Assets

[Including foreign exchange impact +11.6 billion yen]

1. Interest-bearing Debt : Increase due to working capital financing
2. Net Assets : Foreign currency translation adjustments +7.2  
Retained earnings +0.4 (Net Income +2.0, Cash dividends paid -1.6)

[Exchange Rate]

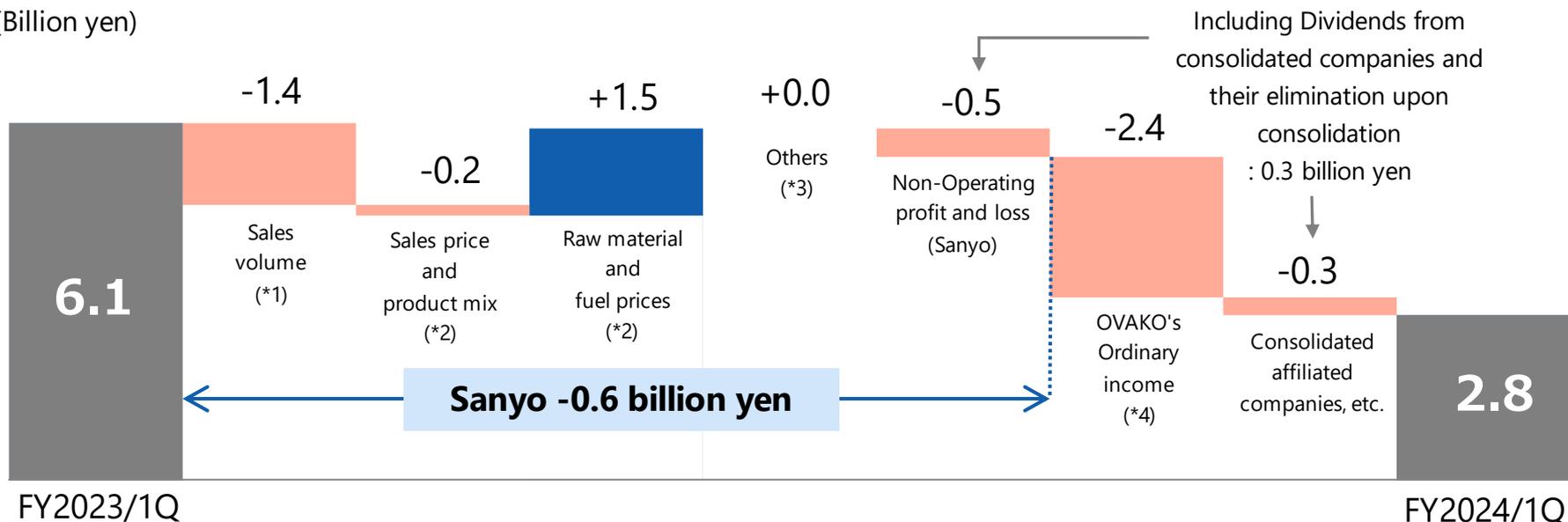
as of Jun. 2024 : 172.3 yen/€

as of Mar. 2024 : 163.2 yen/€

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Jun. 2024 non-consolidated basis) Sanyo 270.6 billion yen OVAKO 144.7 billion yen SSMI 15.4 billion yen

# Ordinary Income Variance Analysis (FY2023/1Q → FY2024/1Q)

(Billion yen)



Sanyo	2.0
OVAKO	5.2
Others	-1.2

**Consolidated -3.3 billion yen**

Sanyo	1.4
OVAKO	2.8
Others	-1.4

## (\*1) Sales volume

- 18% (-38: 213 → 175 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap : +0.3 (-0.3 → +0.0)
- Energy : -0.4 (+0.3 → -0.1)

## (\*3) Breakdown of Others

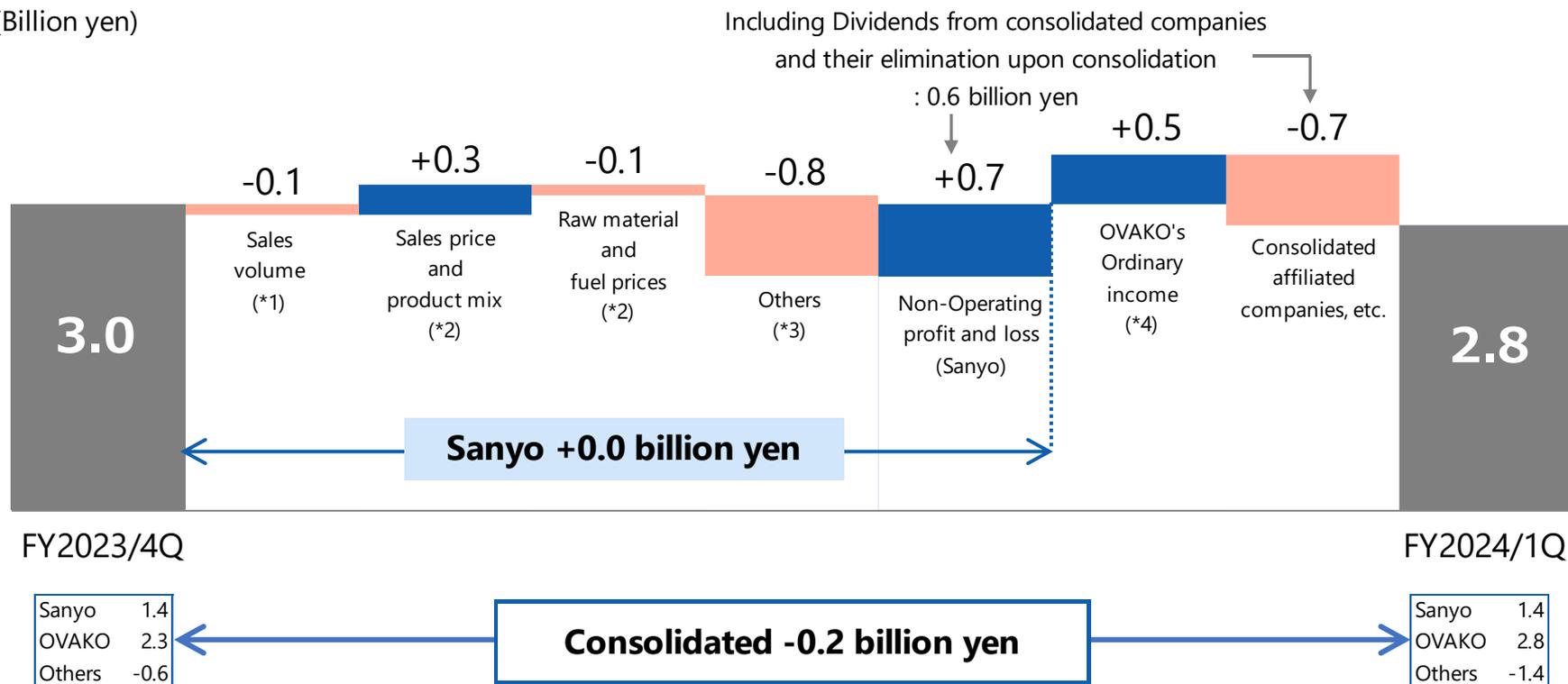
- Fixed cost +0.2,
- Other materials, outsourcing, logistic cost, etc. -0.2

## (\*4) OVAKO's Ordinary Income

- Sales volume -0.2  
-1% (-2: 152 → 150 thousand tons)
- Transient factors -1.0 ( +0.8 → -0.2)  
FX effect (SEK vs. EUR) -0.7 ( +0.5 → -0.2)  
Subsidy of Energy -0.3 ( +0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices -1.9
- Others (FX effect (EUR to JPY), Fixed cost, etc.) +0.7

# Ordinary Income Variance Analysis (FY2023/4Q → FY2024/1Q)

(Billion yen)



## (\*1) Sales volume

- 1% (-2: 177 → 175 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap : +0.0 (-0.0 → +0.0)
- Energy :-0.3 (+0.2 → -0.1)

## (\*3) Breakdown of Others

- Other materials, outsourcing, logistic cost, etc.-0.6, Repair and maintenance expenses-0.1, Fixed cost-0.1

## (\*4) OVAKO's Ordinary Income

- Sales volume +2.2  
+14% (+19: 131 → 150 thousand tons)
- Transient factors -0.9 ( +0.7 → -0.2)  
FX effect (SEK vs. EUR) -0.6 ( +0.4 → -0.2)  
Others -0.3 ( +0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices -0.4
- Others (Fixed cost, etc.) -0.4

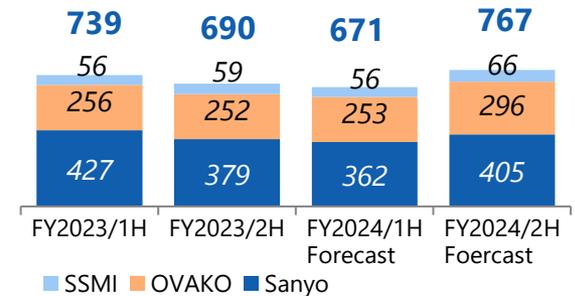
## **2. FY2024 Forecast**

# Business Forecast for FY2024 (Announced on July 30, 2024)

## Ordinary Income Forecast for FY2024 : 13.0 billion yen (+0.9 billion yen against FY2023)

- Although gradual recovery in demand is expected, impact of halts in automobile production and shipment remains unclear. In addition, there are concerns regarding outlook for Chinese and European economies and signs of enduring inflation trends on global economy. The Yen depreciated compared to previous forecast.
- Margin improvement, such as price revisions and cost reductions, will continue.

(Reference) Sales Volume (Thousand tons/H)



(Unit: Billion yen)

	FY24/1H Forecast (A)	FY24/2H Forecast (B)	FY2024 Forecast (C)=(A)+(B)		FY2023 (D)		Change (D) → (C)	
			Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
<b>Net Sales</b>	<b>165.0</b>	<b>180.0</b>	<b>345.0</b>	<b>100.0</b>	353.8	100.0	<b>-8.8</b>	<b>-2.5</b>
<b>Operating Income</b>	<b>2.6</b>	<b>9.7</b>	<b>12.3</b>	<b>3.6</b>	11.4	3.2	<b>+0.9</b>	<b>+8.2</b>
<b>Ordinary Income</b>	<b>2.5</b>	<b>10.5</b>	<b>13.0</b>	<b>3.8</b>	12.1	3.4	<b>+0.9</b>	<b>+7.3</b>
(Sanyo)	4.7	5.8	10.5	6.4	9.0	5.0	+1.5	+17.1
(OVAKO)	2.3	4.2	6.5	4.4	8.4	5.9	-1.9	-22.9
(SSMI)	0.4	0.6	1.0	3.8	0.7	2.9	+0.3	+49.4
(Amortization of goodwill)	-1.7	-1.7	-3.4	—	-3.2	—	-0.2	—
<b>Net Income<sup>*1</sup></b>	<b>1.2</b>	<b>8.3</b>	<b>9.5</b>	<b>2.8</b>	9.1	2.6	<b>+0.4</b>	<b>+4.9</b>
<b>ROE (%)</b>			<b>4.1</b>		4.1		—	
<b>Net Income before amortization of goodwill</b>	<b>2.9</b>	<b>10.0</b>	<b>12.9</b>	<b>3.7</b>	12.3	3.5	<b>+0.6</b>	<b>+4.9</b>
<b>ROE (%)</b>			<b>5.6</b>		5.6		—	
<b>Sales Volume (Thousand tons)</b>	<b>671</b>	<b>767</b>	<b>1,438</b>		1,429		<b>+10</b>	<b>+0.7</b>

\*1 Profit attributable to owners of parent

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

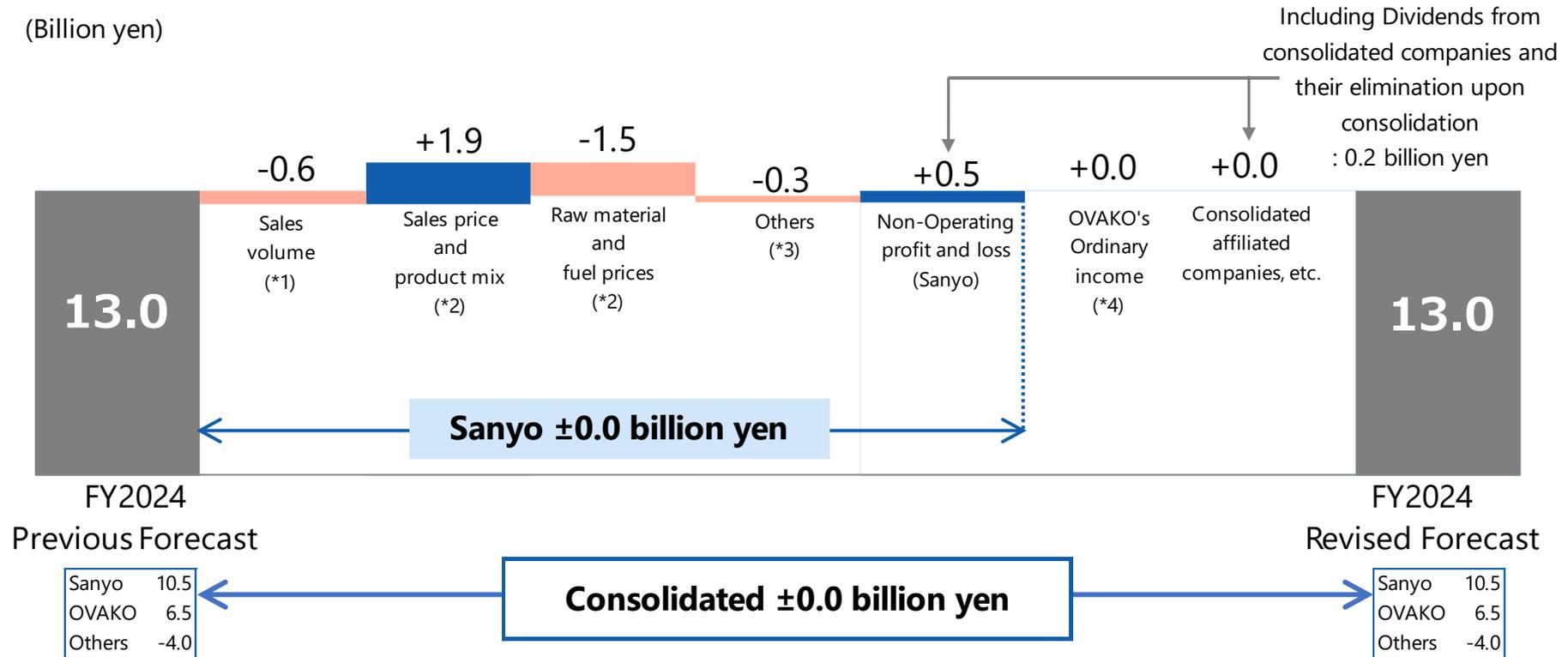
Major assumptions after July 2024

- Scrap iron 52,000 yen/t (H2 market price in Himeji area)
- Crude oil (Dubai) 90\$/BL • Exchange rate 151.5 yen/US\$, 163.0 yen/€

# Ordinary Income Variance Analysis

## (FY2024 Previous Forecast → FY2024 Revised Forecast)

(Billion yen)

**(\*1) Sales volume**

- 2% (-13: 780 → 767 thousand tons)

**(\*2) Time lag of surcharge pricing**

- Iron scrap : +0.0 (-0.0 → -0.0)
- Energy :-0.2 (+0.0 → -0.2)

**(\*3) Breakdown of Others**

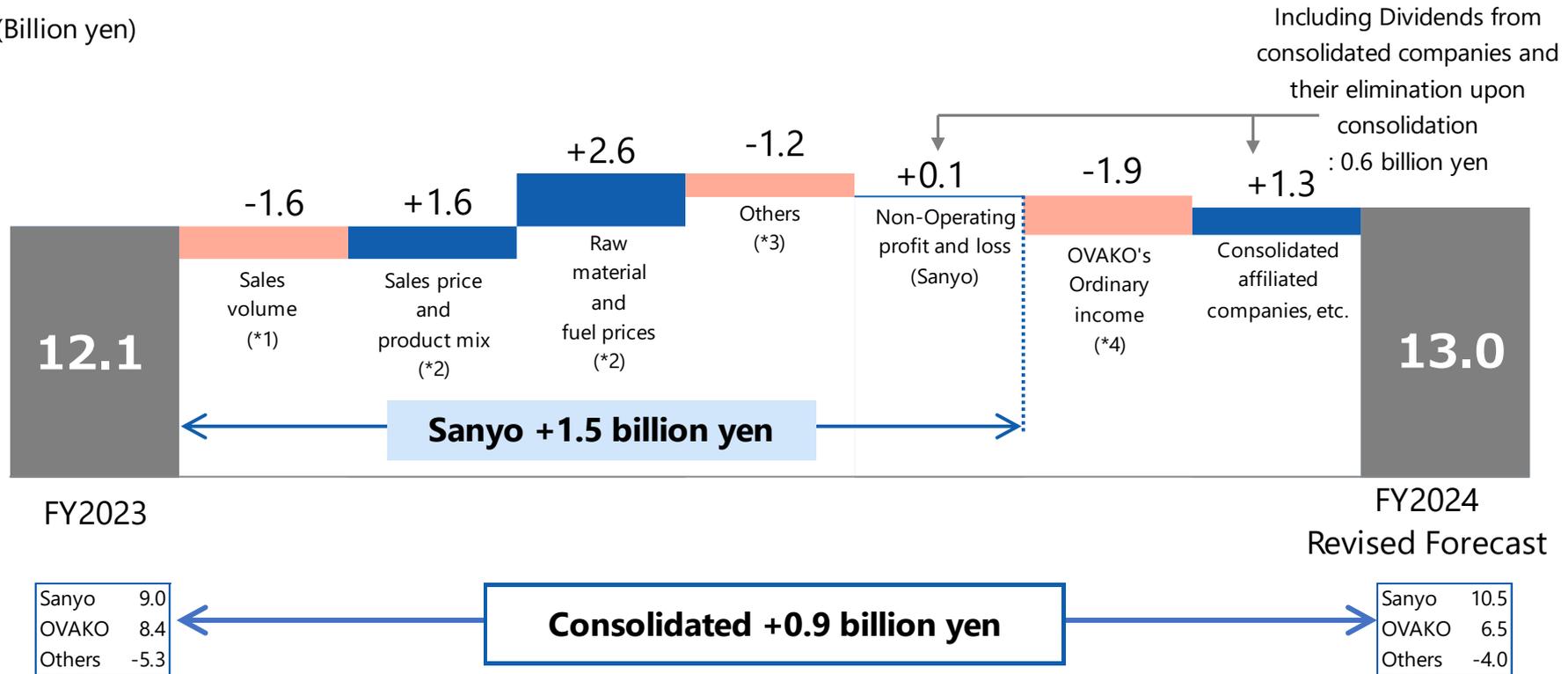
- Fixed cost +0.1,
- Other materials, outsourcing, logistic cost, etc. -0.4

**(\*4) OVAKO's Ordinary Income**

- Sales volume +0.4  
+1% (+4: 545 → 549 thousand tons)
- Transient factors -0.2 ( 0.0 → -0.2)  
FX effect (SEK vs. EUR) -0.2 ( 0.0 → -0.2)
- Sales margin and product mix, raw material and fuel prices -1.6
- Others (FX effect (EUR to JPY), Fixed cost, etc.) +1.4

# Ordinary Income Variance Analysis (FY2023 Result → FY2024 Revised Forecast)

(Billion yen)



## (\*1) Sales volume

- 5% (-39: 806 → 767 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap : +0.3 (-0.3 → -0.0)
- Energy : -1.9 (+1.7 → -0.2)

## (\*3) Breakdown of Others

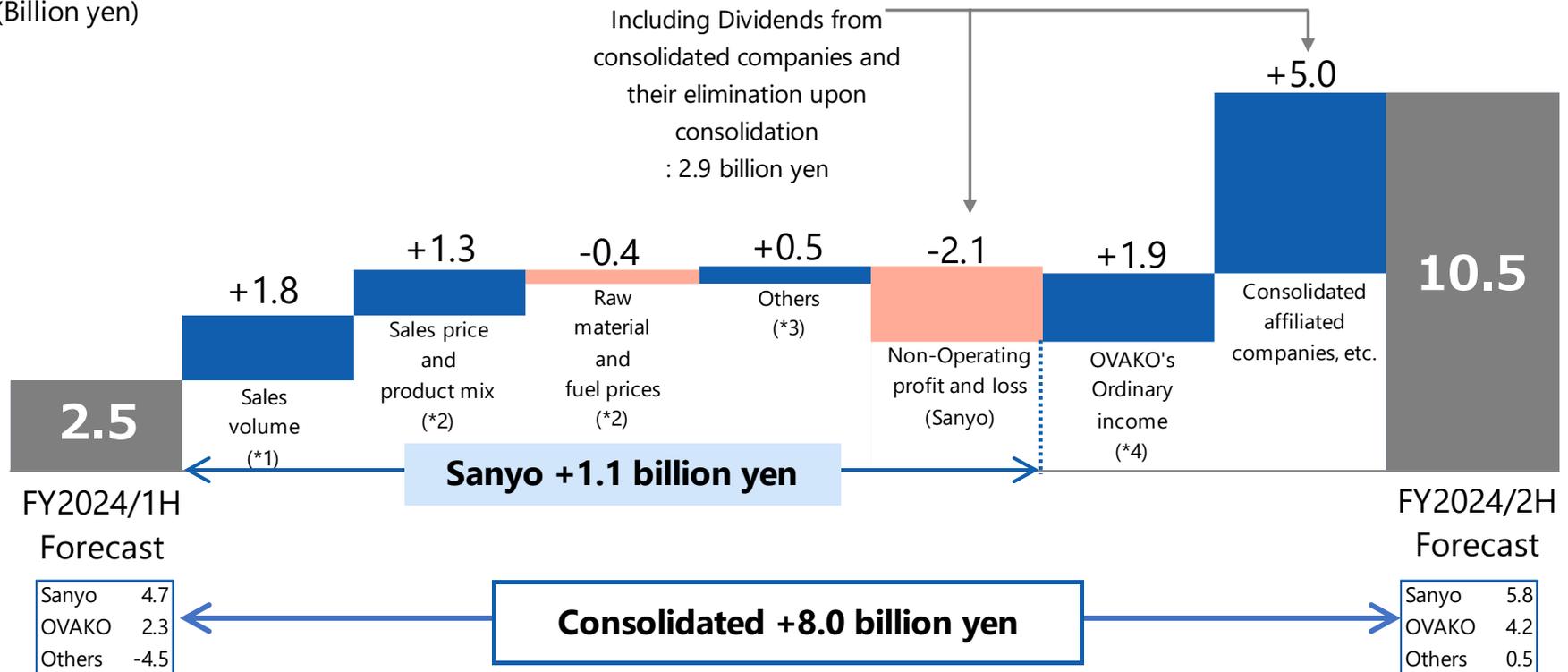
- Variable cost reductions +1.0,
- Repair and maintenance expenses +0.1,
- Other materials, outsourcing, logistic cost, etc. -1.3,
- Fixed cost -1.0

## (\*4) OVAKO's Ordinary Income

- Sales volume +4.2  
+8% (+41: 508 → 549 thousand tons)
- Transient factors -1.5 ( +1.3 → -0.2)  
FX effect (SEK vs. EUR) -0.6 ( +0.4 → -0.2)  
Subsidy of Energy -0.6 ( +0.6 → 0.0)  
Others -0.3 ( +0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices -4.2
- Others (Fixed cost, etc.) -0.4

# Ordinary Income Variance Analysis (FY2024/1H Forecast → FY2024/2H Forecast)

(Billion yen)



### (\*1) Sales volume

- +12% (+43: 362 → 405 thousand tons)

### (\*2) Time lag of surcharge pricing

- Iron scrap :-0.1 (+0.0 → -0.0)
- Energy :-0.0 (-0.1 → -0.1)

### (\*3) Breakdown of Others

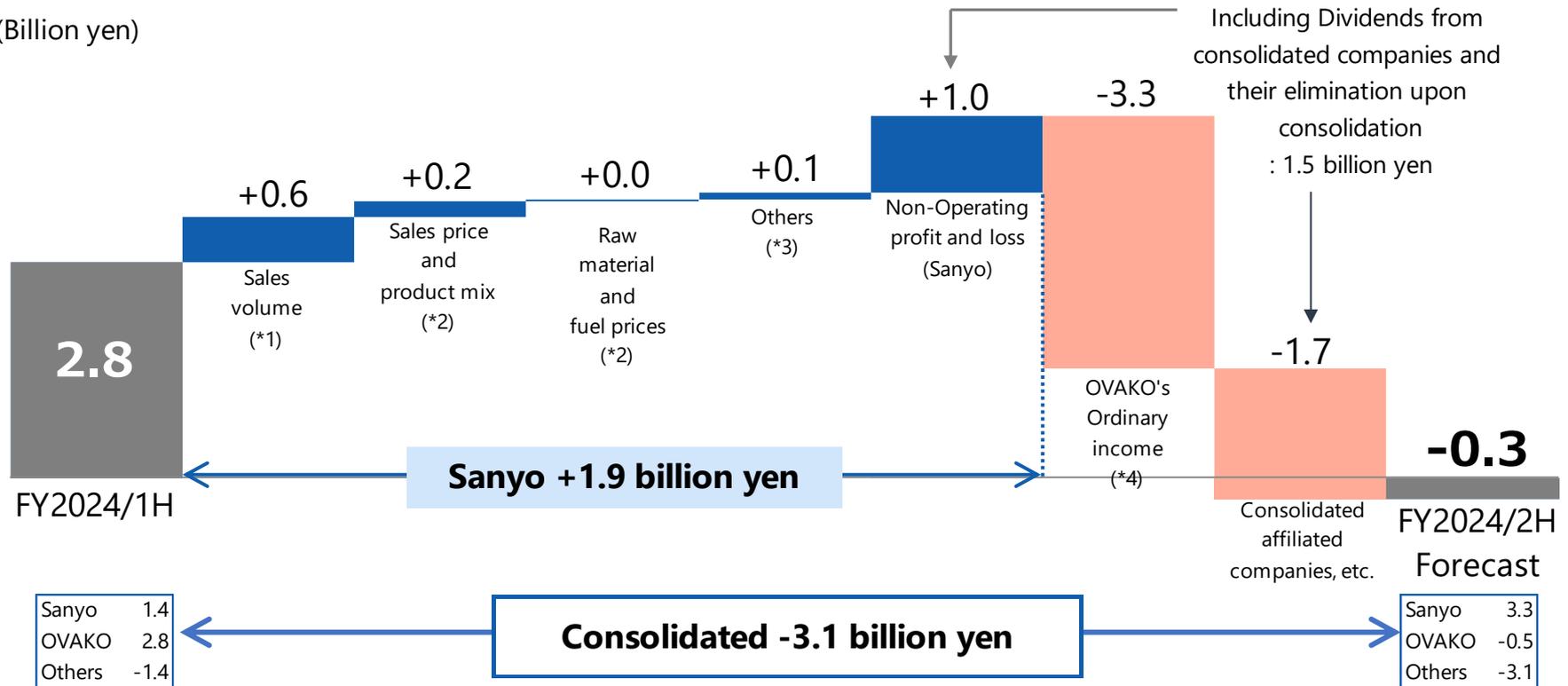
- Variable cost reductions +0.7,
- Other materials, outsourcing, logistic cost, etc. +0.3,
- Repair and maintenance expenses +0.2,
- Fixed cost -0.7

### (\*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) +4.8  
+17% (+43: 253 → 296 thousand tons)
- Transient factors +0.2 ( -0.2 → 0.0)  
FX effect (SEK vs. EUR) +0.2 ( -0.2 → 0.0)
- Sales margin and product mix, raw material and fuel prices -0.8
- Others (Fixed cost, etc.) -2.3

# Ordinary Income Variance Analysis (FY2024/1Q Result → FY2024/2Q Forecast)

(Billion yen)



### (\*1) Sales volume

- +7% (+13: 175→ 188 thousand tons)

### (\*2) Time lag of surcharge pricing

- Iron scrap :+0.0 (+0.0→ +0.0)
- Energy :+0.0 (-0.1→ -0.0)

### (\*3) Breakdown of Others

- Variable cost reductions+0.2,
- Repair and maintenance expenses+0.1,
- Other materials, outsourcing, logistic cost, etc.-0.2

### (\*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) -5.4  
-32% (-48: 150→ 103 thousand tons)
- Transient factors +0.2 ( -0.2→0.0)  
FX effect (SEK vs. EUR) +0.2 ( -0.2→ 0.0)
- Sales margin and product mix, raw material and fuel prices +0.3
- Others (Fixed cost, etc.) +1.6

# Review of Performance <OVAKO>

## FY2024 Forecast

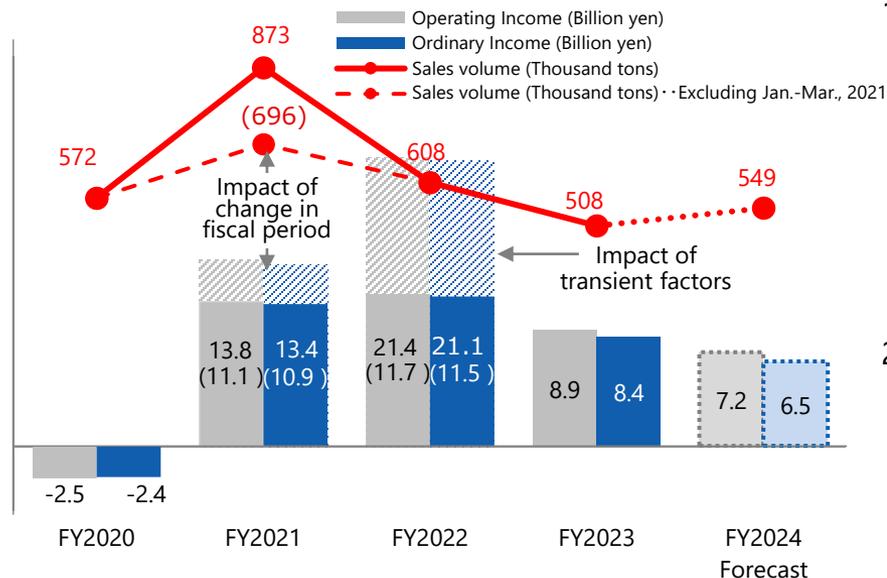
### Ordinary Income in FY2024/1Q : 2.8 billion yen (-2.4 billion yen against FY2023/1Q)

- Although demand remained sluggish in FY2024/1Q due to delayed recovery of European economy, OVAKO managed to stay profitable by implementing sales promotion and cost control. YOY profit level decreased due to deterioration in product mix and decrease of positive one-off effects.

### Ordinary Income Forecast for FY2024 : 6.5 billion yen (-1.9 billion yen against FY2023)

- With no signs of market conditions improving significantly in FY2024, OVAKO will continue to be active in securing sales volume by utilizing advantages in carbon efficiency. In addition, OVAKO will maintain implementing comprehensive fixed cost control and optimizing operational structure.

## 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 a still inflationary environment through appropriate pricing policy 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 4 companies, OVAKO, SSMI, Sanyo and Nippon Steel

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

# Review of Performance <SSMI>

## FY2024 Forecast

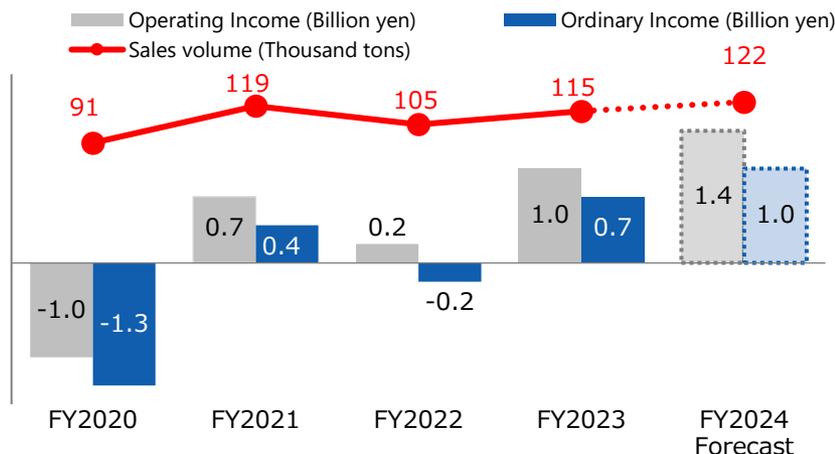
**Ordinary Income in FY2024/1Q (Jan.-Mar. 2024) : 0.2 billion yen (+0.0 billion yen against FY2023/1Q)**

- SSMI secured ordinary income of 0.2 billion yen in FY2024/1Q by implementing following measures.
  - Utilizing cost effective cold iron resources and further pursuing manufacturing cost reduction partly by streamlining production process.

**Ordinary Income Forecast for FY2024 : 1.0 billion yen (+0.3 billion yen against FY2023)**

- SSMI aims to ensure higher returns in FY2024 by expanding sales volume, implementing cost reductions measures, and improving product mix and profit margin.

## Trend of Sales volume, Operating Income, and Ordinary Income



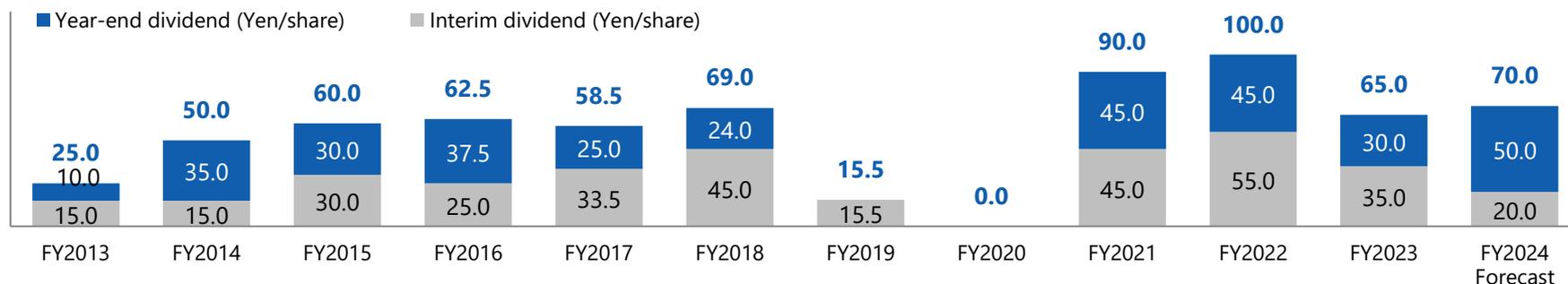
## Profit improvement measures and actions

- 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.
- Reducing variable cost
  - Reducing operation cost by improving energy intensity and efficiency and reducing procurement cost by utilizing low-cost raw materials.
- Controlling fixed cost
  - Reducing interest costs by repaying borrowings associated with capital increase, etc.

- On May 24, 2024, Sanyo acquired all shares of SSMI owned by MITSUI & CO., LTD. ("MITSUI"), after MITSUI's exercise of put option right under the shareholders agreement. **After the transfer, SSMI became our wholly owned subsidiary.**
- 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.**

# Dividend Forecast for FY2024

			FY2024/1H Forecast	FY2024/2H Forecast	FY2024 Full Forecast
Earnings Per Share	A	Yen/share	22.0		174.4
Earnings Per Share before amortization of goodwill	B	Yen/share	53.2		236.8
<b>Dividend</b>	<b>C</b>	<b>Yen/share</b>	<b>20.0</b>	<b>50.0</b>	<b>70.0</b>
Payout Ratio	C/A	%	90.8		40.1
	C/B	%	37.6		29.6



## <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%**

## **3. Topics**

# Topics

## 1 . Received certificate of appreciation from JAXA for successful launch of H3 rocket. (May 8, 2024)

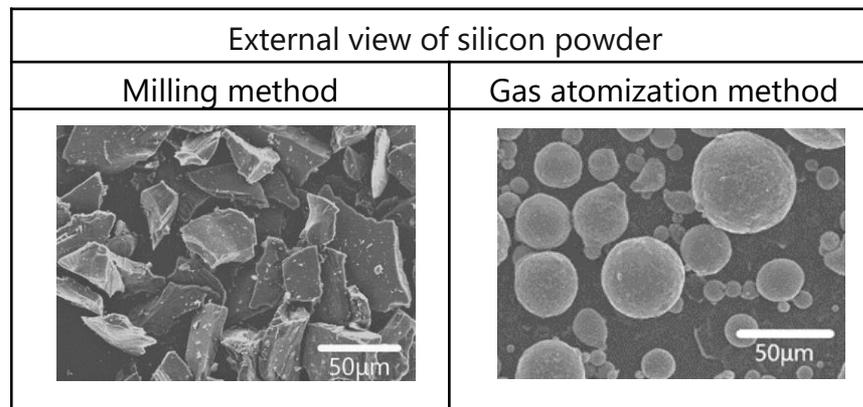
- Sanyo received an honorable certificate of appreciation from Japan Aerospace Exploration Agency (JAXA) in recognition of contributions by our metal powder manufacturing and sales division, for the successful launch of H3 rocket.
- JAXA has offered certificates of appreciation to suppliers who made significant contributions to the successful launch of the second test model of H3 rocket from JAXA Tanegashima Space Center in February 2024.
- Sanyo provided high quality AM (additive manufacturing) powders for H3.



Certificate of appreciation from JAXA and model of H3 rocket

## 2 . New production technology for high-purity, spherical silicon powder (Announced on July 8, 2024)

- Sanyo has developed a technology for producing high-purity, spherical silicon (Si) powder.
- Manufacturing technology using gas atomization method is applied to this technology instead of commonly used milling method.
- The silicon powder can be used in various applications and industries, such as thermal spraying and cladding powders as well as powder molding products.



Silicon powder made by milling method causes problems when used for thermal spraying or cladding applications, such as low fluidity and nozzle clogging due to the irregular shape of the particles. On the other hand, using gas atomization method enables us to supply silicon powder with good spherical shape, and excellent fluidity.

# Topics

## 3 . Launch of "Corporate Forest Creation Activities" (May 29, 2024)

- We promoted "Corporate Forest Creation Activities"\* , an initiative under which companies, regional communities and local governments work together to engage in forest conservation activities.
- 21 Sanyo employees participated in the first activity, held in May 2024.
- We will encourage biodiversity conservation through activities to preserve forests and "satoyama" (undeveloped woodland near populated area).

\* In May 2024, an agreement was signed among four parties (Hyogo Prefecture, Himeji City, the Hyogo Prefecture Greenery Promotion Association, and Sanyo) to carry out related activities for five years until May 2029.



A section of the forest (1.46ha) in Fujinokiyama Nature Park of Himeji City has been named "Santokun's Forest of the Future" and is currently being used for "Corporate Forest Creation Activities."

## 4 . Indian affiliate SSMI honored by CDP (June 4, 2024)

- SSMI was honored by CDP\* in recognition of SSMI's longstanding commitment to the environment.
- SSMI has been participating in CDP since 2014. In 2023, SSMI received not only a "B" rating in the CDP Climate Change Score but also the highest rating of "A" in the CDP Supplier Engagement Rating (SER) category for 2023.

\* CDP is a British non-profit term and works with institute organization (NGO) that operates a global environmental information disclosure system and works with institutional investors to require companies to disclose information on their climate change initiatives and greenhouse gas emissions.

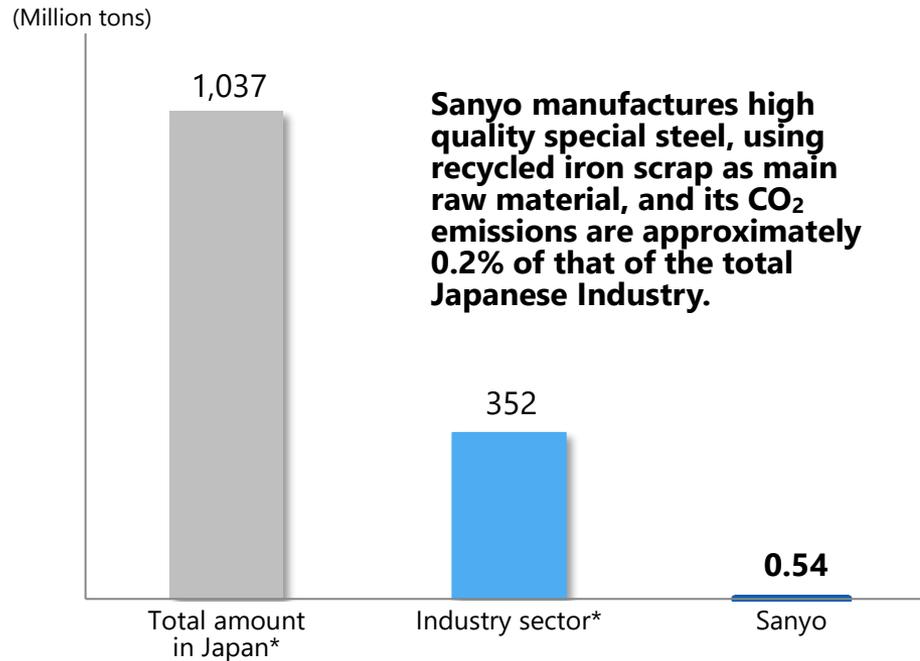


SSMI was honored at a joint event held in New Delhi, the capital of India, by CDP and the Federation of Indian Chambers of Commerce and Industry (FICCI).

# **4. Achieving Carbon Neutrality (CN) by 2050**

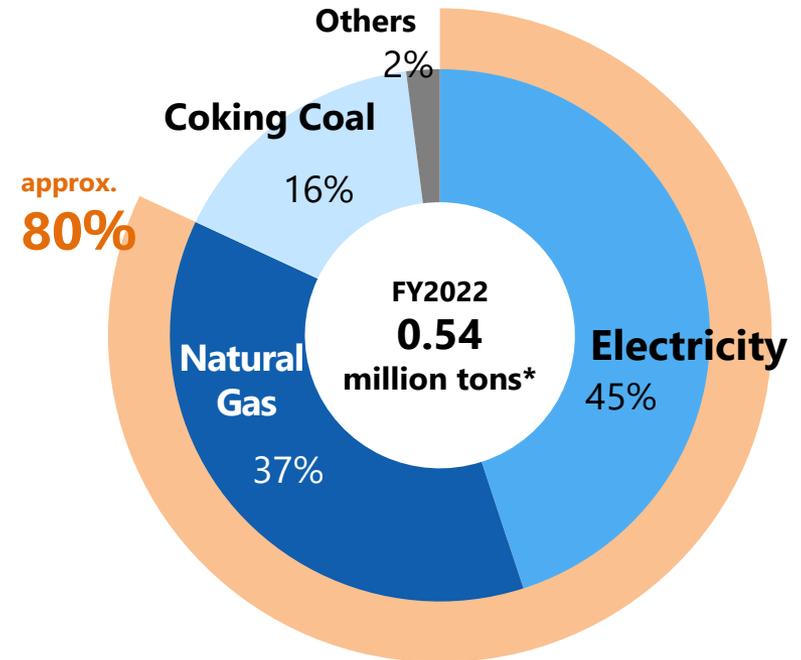
# Basic Consideration to Carbon Neutrality

## Amount of CO<sub>2</sub> emissions in FY2022



\*Greenhouse Gas Inventory Office of National Institute for Environmental Studies  
(Data of CO<sub>2</sub> emission in FY2022)

## Breakdown of Sanyo's CO<sub>2</sub> emissions (Scope 1 & 2 of Sanyo)



**CO<sub>2</sub> emissions due to consumption of electricity and natural gas account for 80% or more of the total emissions of Sanyo.**

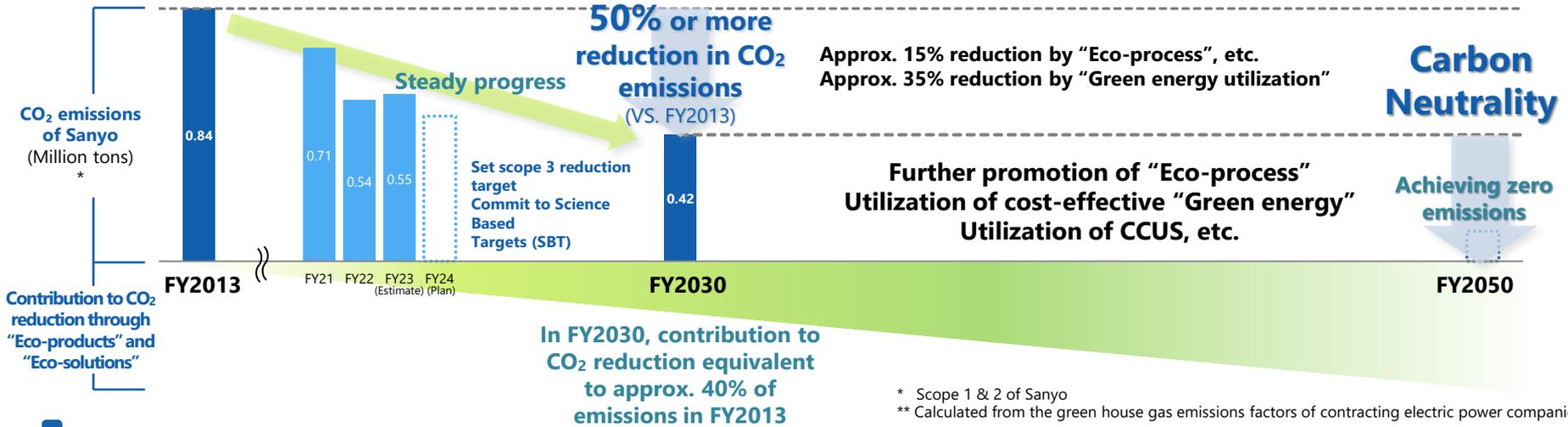
## Participation in the GX League

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.



# Sanyo's Roadmap to Carbon Neutrality by 2050

Sanyo aims to reduce CO<sub>2</sub> emissions from its own manufacturing process and at all social stages by promoting "Eco-process", "Green energy utilization", "Eco-products" and "Eco-solutions."



## CO<sub>2</sub> emissions of Sanyo



Energy-saving heating furnace that uses regenerative burners

### Eco-process

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.

Commenced to utilize hydroelectric and solar power generation from FY2024.

## Contribution to CO<sub>2</sub> reduction through "Eco-products" and "Eco-solutions"



Developing long-life bearing steel for wind power generation

### Eco-products

Promoting R&D and supply of special steel products that contribute to reducing CO<sub>2</sub> emissions in the supply chain and final usage.



Sharing technologies among group members

### Eco-solutions

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

# CO<sub>2</sub> Reduction through “Eco-products”

In particular, Sanyo is focusing on development of “Eco-products” that contribute to reducing CO<sub>2</sub> emissions in the supply chain and final usage.

- Sanyo aims to continuously reduce CO<sub>2</sub> emissions at all social stages through “Eco-products” by fully utilizing its advanced and innovative technology.

## 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

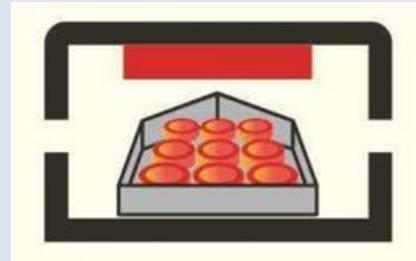
(Estimated CO<sub>2</sub> reduction effect: 13,000 tons/year\*)

## 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 CO<sub>2</sub> 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)

# Further Enhance OVAKO's World Leading Position in Carbon Efficiency

## OVAKO's Roadmap

**Apr. 2020** • **First in the world to heat steel using hydrogen**

**Jan. 2022** • **Introduction of Carbon Offset Program & Climate Surcharge**

- ✓ OVAKO introduced carbon offset program, as an intermediate solution, to counterbalance remaining CO<sub>2</sub> emissions.
- ✓ OVAKO started applying climate surcharge to all customers.

**Sep. 2023** • **Inauguration of Fossil-free hydrogen electrolyzer plant**

One of the largest facilities in Europe.  
Possible to reduce Hofors mill's CO<sub>2</sub> emissions from re-heating steel process before rolling by 50 percent (approx. 20,000 tons/year).

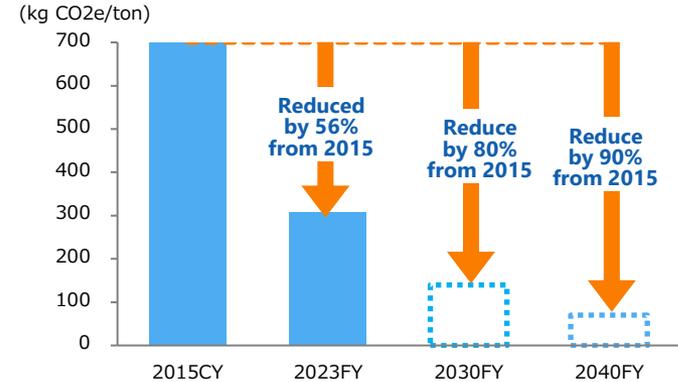
### Collaboration with customers

- 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 has signed partnership deal with FNsteel.



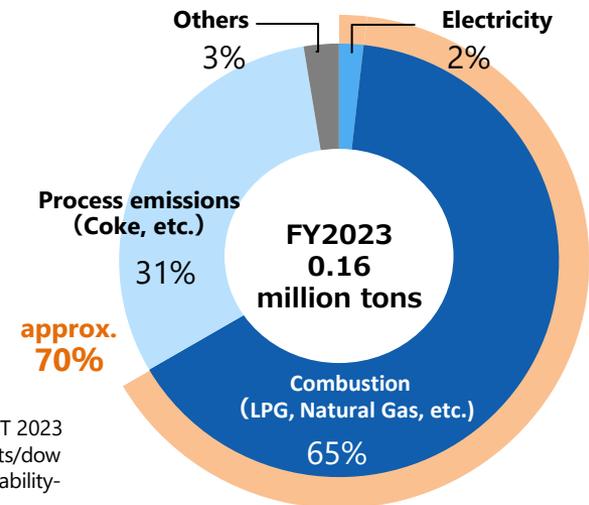
OVAKO's SUSTAINABILITY REPORT 2023  
[https://www.ovako.com/globalassets/downloads/sustainability/ovako-sustainability-report-fy2023\\_compressed.pdf](https://www.ovako.com/globalassets/downloads/sustainability/ovako-sustainability-report-fy2023_compressed.pdf)

## OVAKO's CO<sub>2</sub> emissions (Scope 1 & 2)



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2023

## Breakdown of OVAKO's CO<sub>2</sub> 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 (approx. 3,000 tons/year) by electrolysis of water using fossil-free electricity.
- The conversion to hydrogen will enable OVAKO to reduce Hofors' CO<sub>2</sub> emissions from the process of re-heating steel before rolling by 50 percent (approx. 20,000 tons/year) from an already low level.
- The plan is to use local hydrogen production in all OVAKO units where steel is rolled by 2030, provided there is good access to fossil-free electricity to power the electrolysis process.



Electrolyzer of hydrogen plant of OVAKO

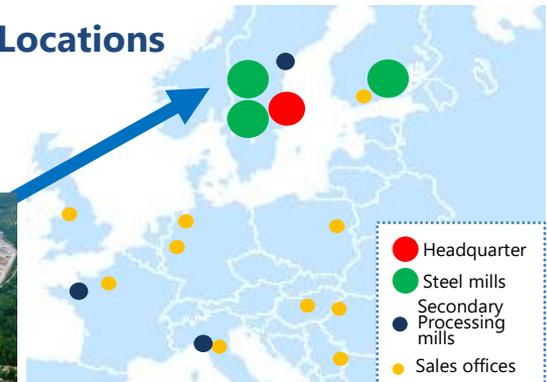
## [Sweden's characteristics]

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

## Locations



Hofors mill



## Ceremony of fossil free hydrogen plant

On September 5, 2023, OVAKO held a ceremony in presence of the Honorable Swedish Prime Minister and many other prominent guests.

(Center) Honorable Swedish Prime Minister,  
(Left) Sanyo Representative Director and President  
(Right) OVAKO CEO

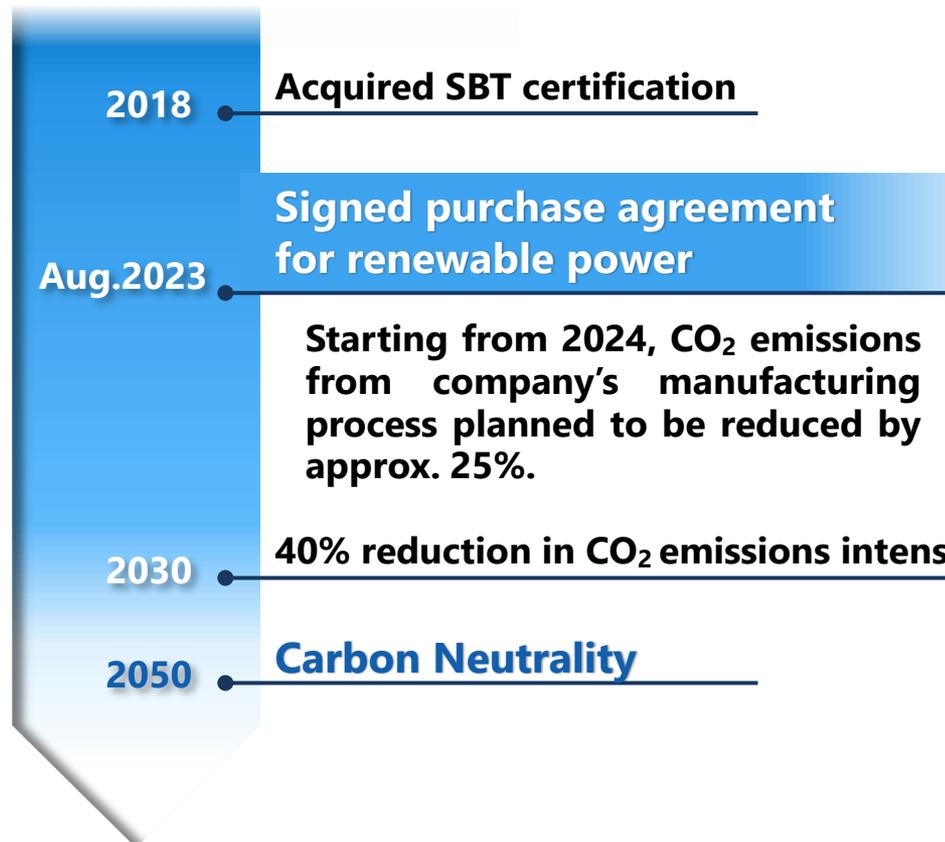


# Engagement to Carbon Neutrality by SSMI

## Promotion of fuel conversion and energy saving

SSMI is promoting measures, such as replacement of fuel oil with natural gas, a cleaner and more efficient energy source, and implementation of energy-efficient processes and equipment.

## SSMI's Roadmap to CN

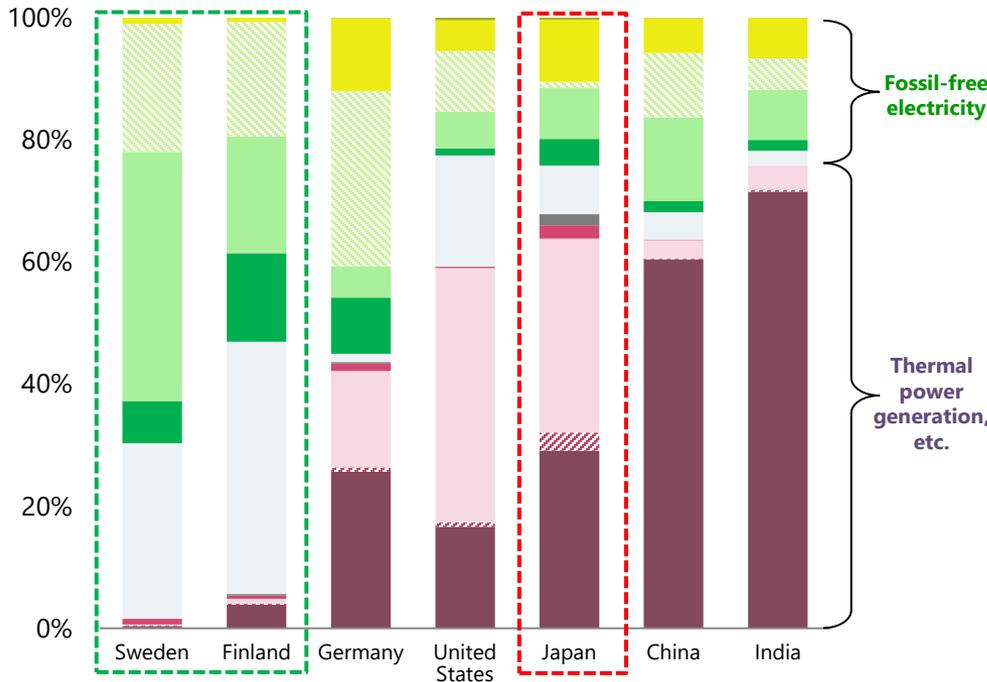


SSMI has signed an agreement with a subsidiary of Tata Power to purchase electricity generated from solar energy, a renewable energy source.

# Electricity Mix and Prices of Major Countries

## Electricity mix as of 2023

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.

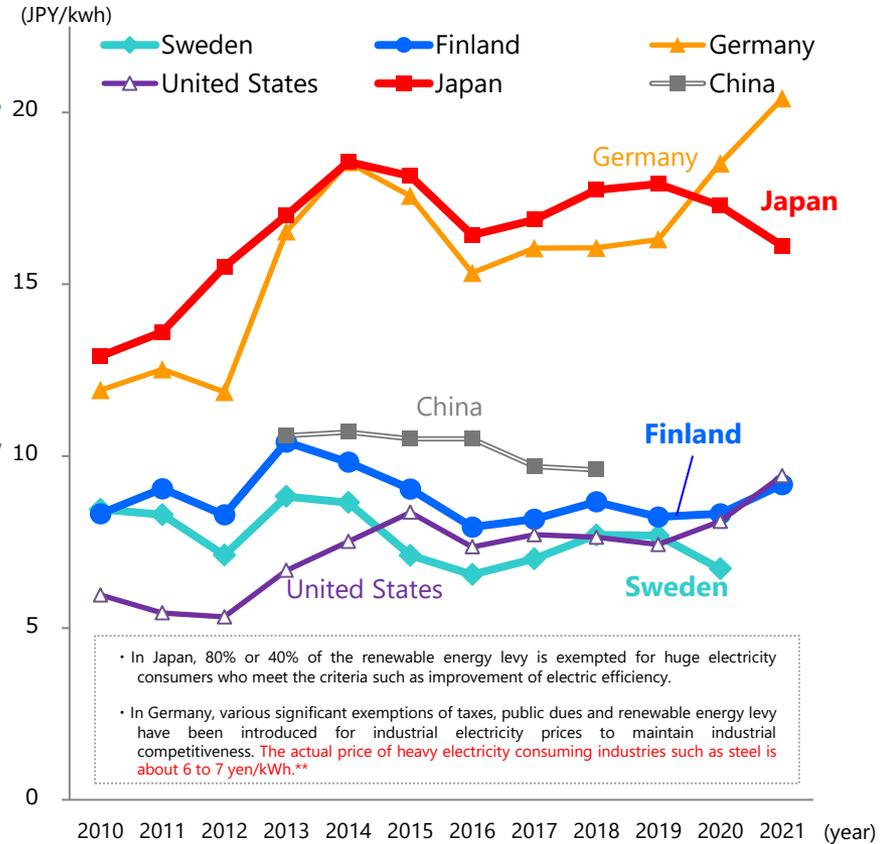


- Coal
- Natural Gas
- Non-Specified
- Combustible Renewables
- Wind
- Geothermal
- Oil
- Other Combustibles
- Nuclear
- Hydro
- Solar
- Other Renewables

\*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 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

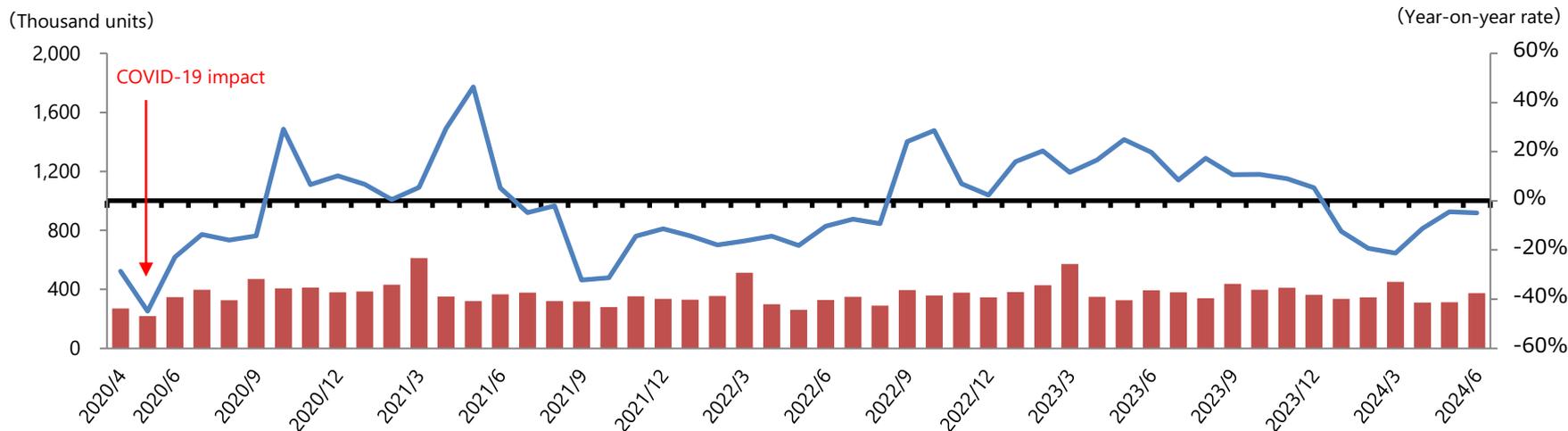
\*\*International Environment and Economy Institute (Realities of the carbon pricing of overseas)

## **5. Reference**

# Trends in Automobile Market

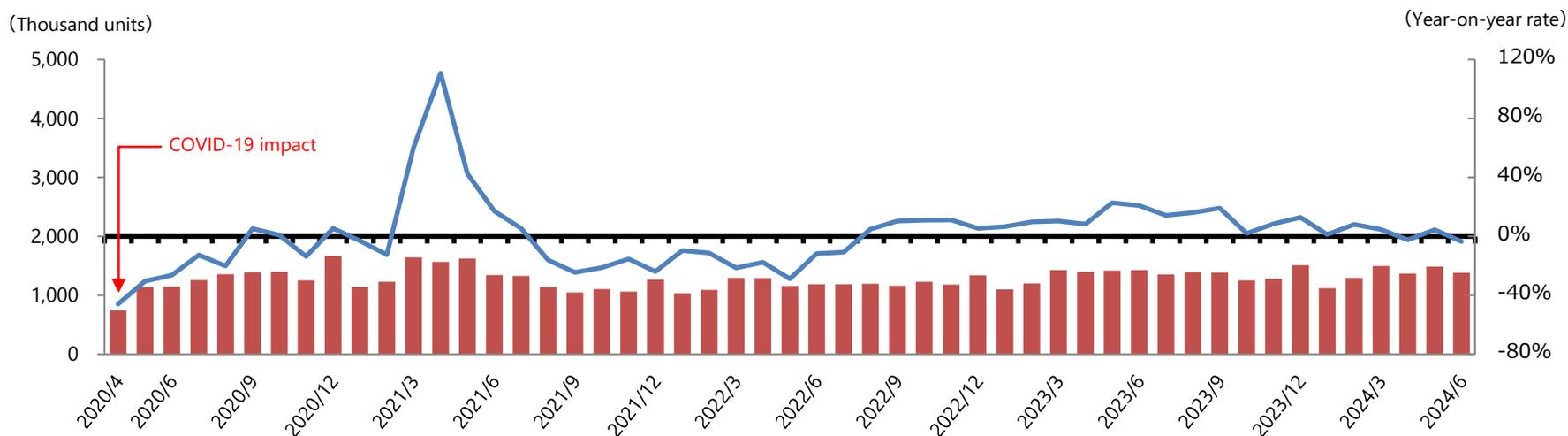
## Units of automobile sales in Japan

Source: MarkLines Co., Ltd.



## Units of automobile sales in U.S.

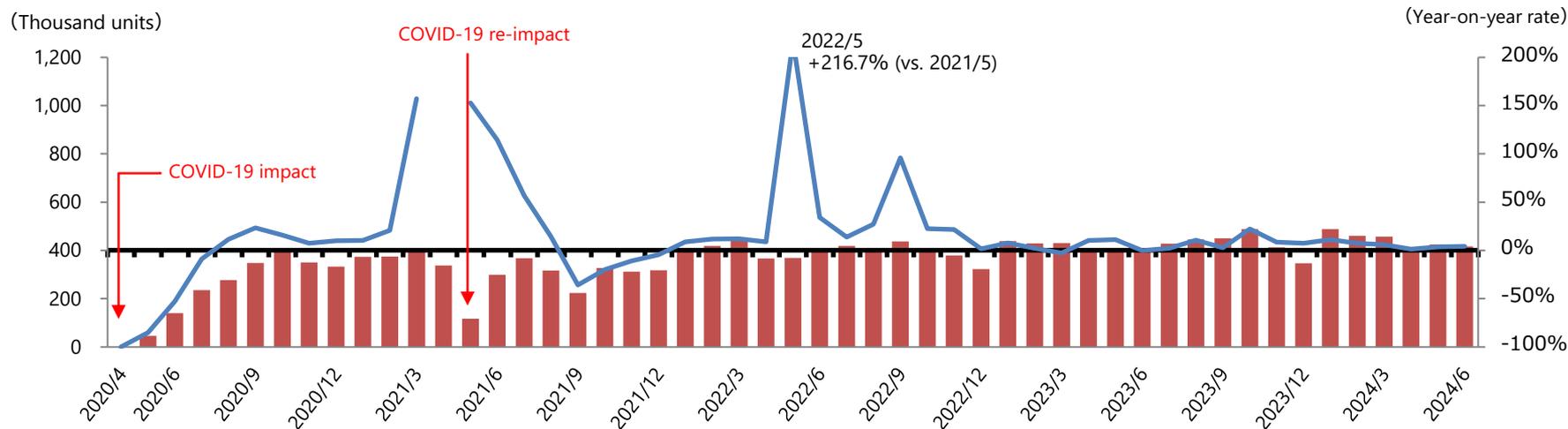
Source: MarkLines Co., Ltd.



# Trends in Automobile Market

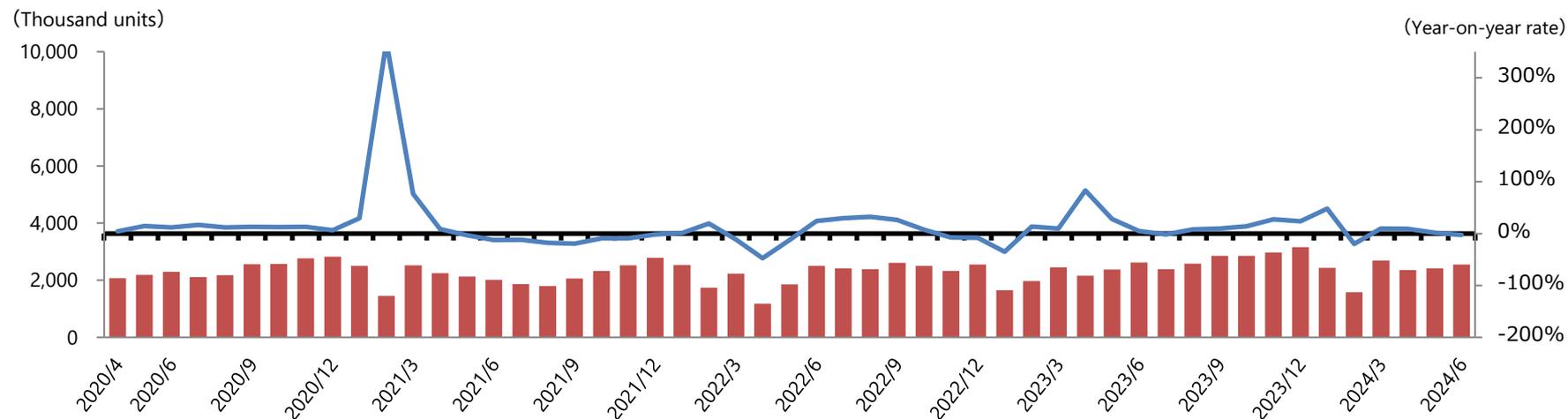
## Units of automobile sales in India

Source: MarkLines Co., Ltd.



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

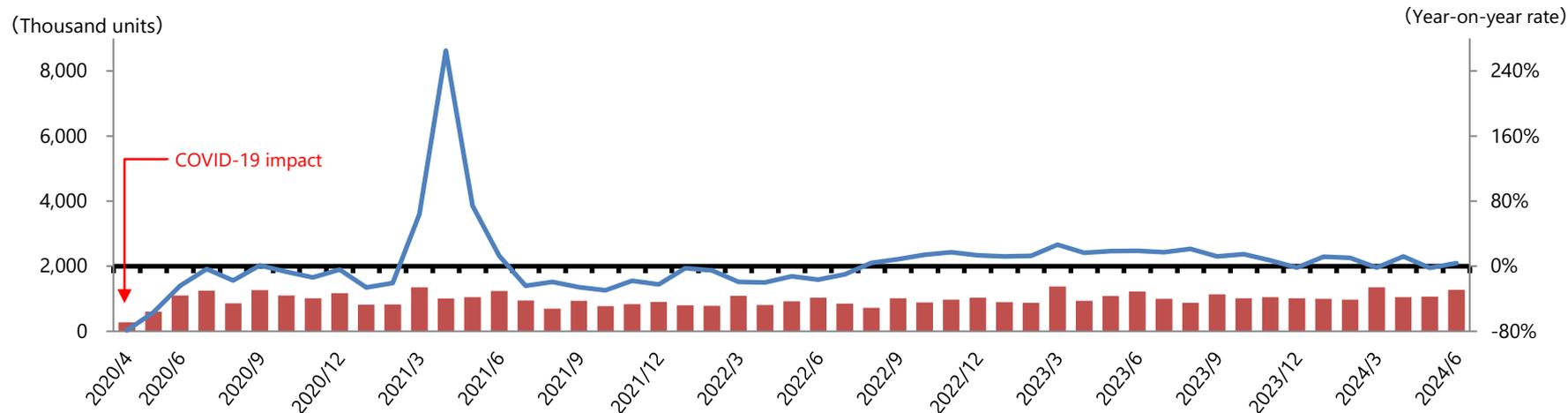
Source: MarkLines Co., Ltd.



# Trends in Automobile Market

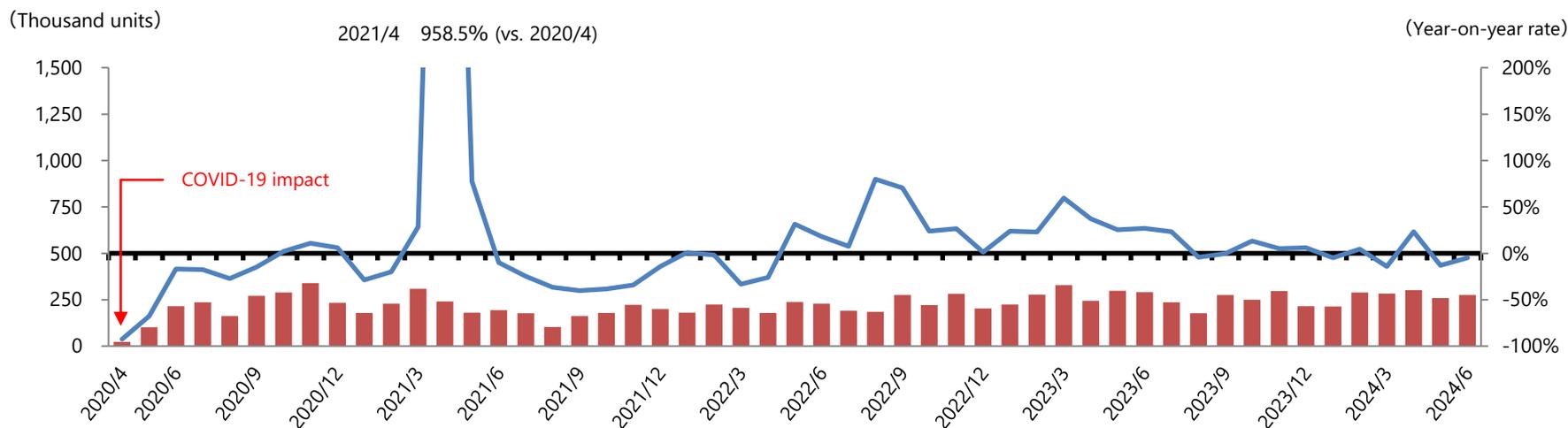
## Units of automobile sales in Europe

Source: ACEA



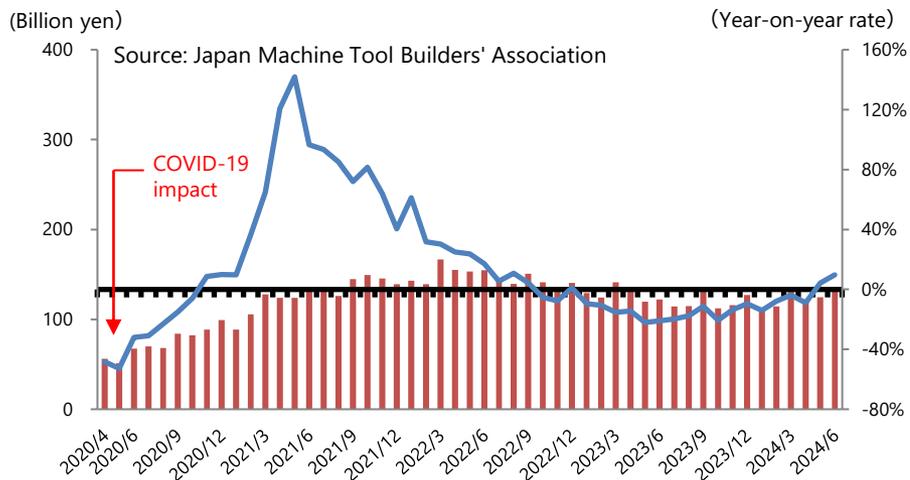
## Units of automobile export from Germany

Source: VDA

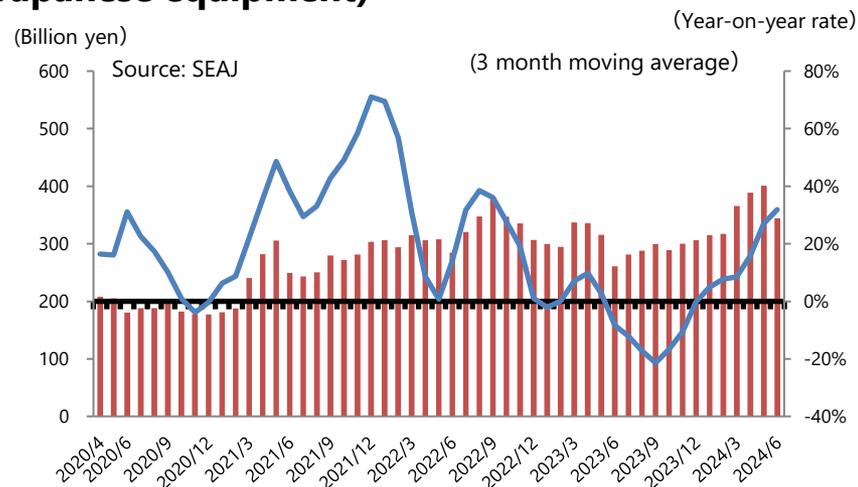


# Trends in Industrial Machinery and Construction Machinery Market

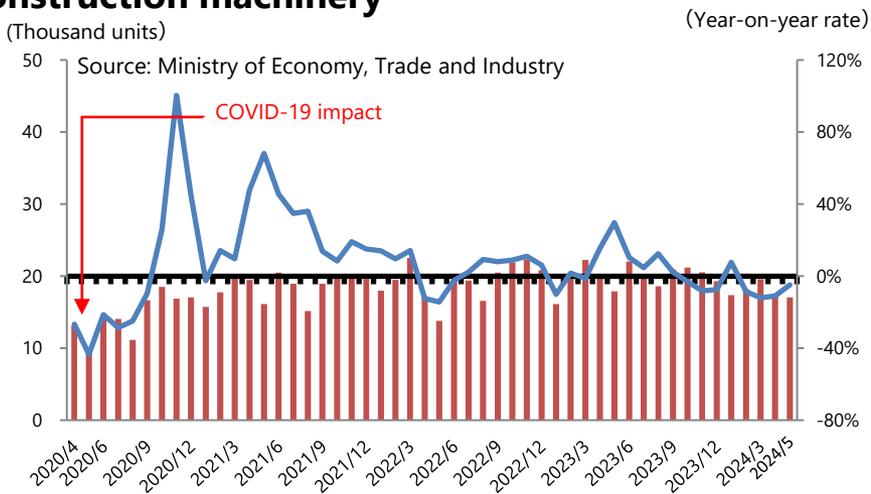
## Sales amount of machine tool orders(Japan)



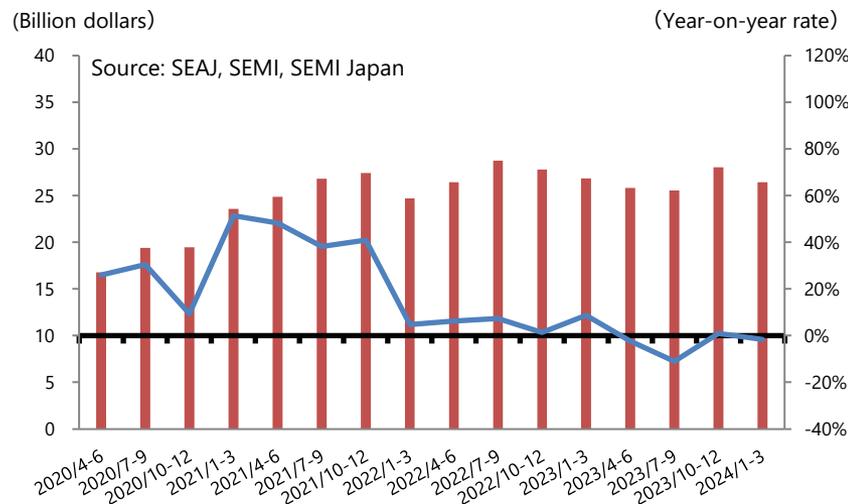
## Sales amount of semiconductor manufacturing equipment (Japanese equipment)



## Domestic production of excavator-based construction machinery

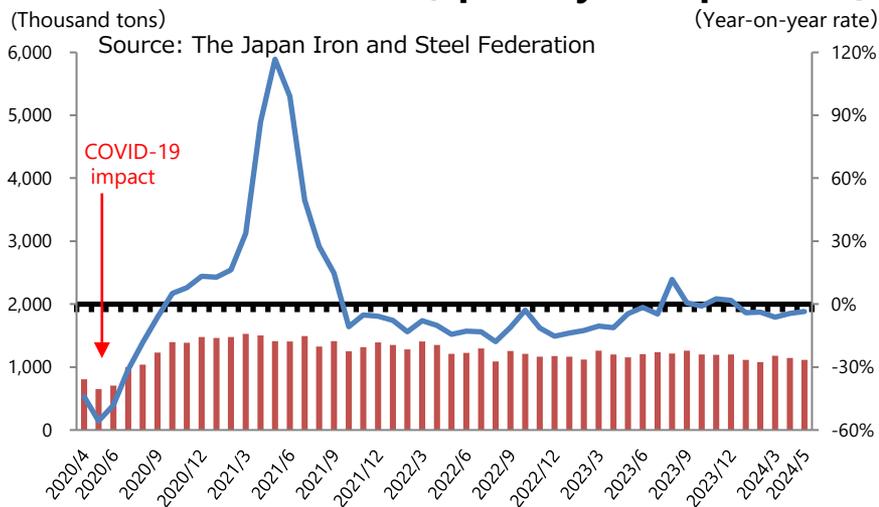


## Sales amount of world wide semiconductor equipment

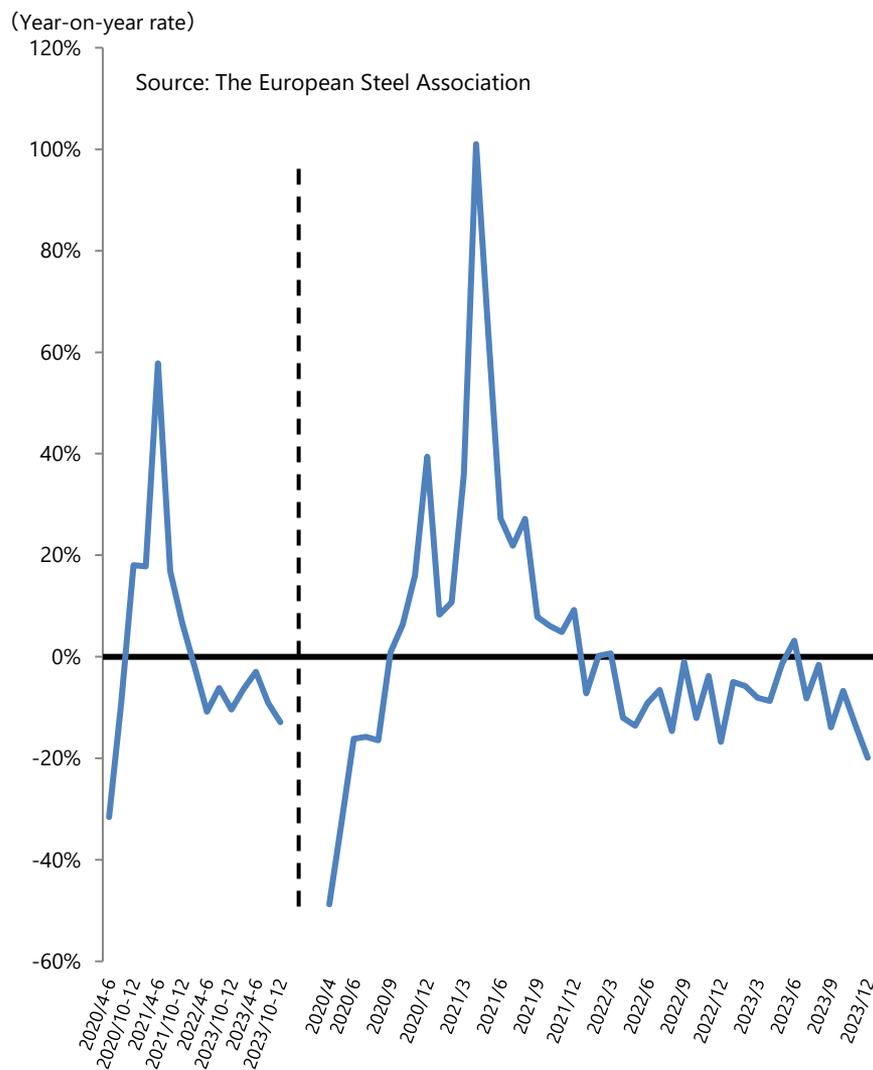


# Trends in Special Steel Market

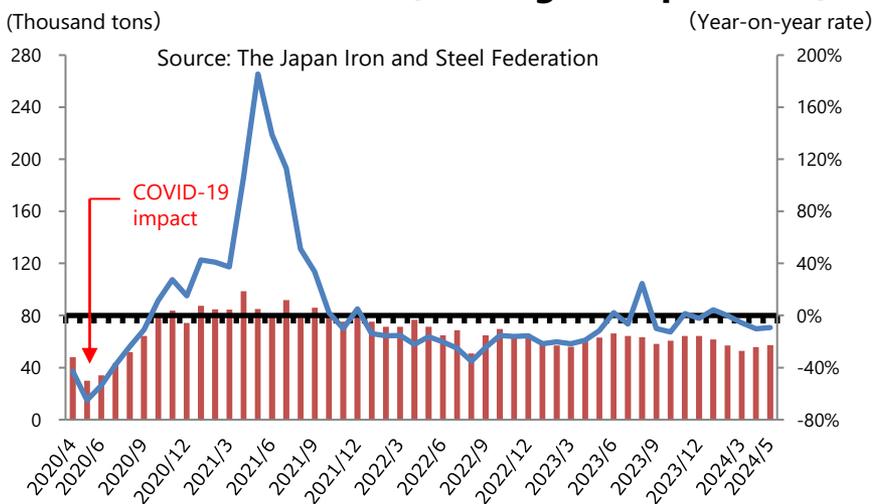
## Volume of order booked (Specialty steel products)



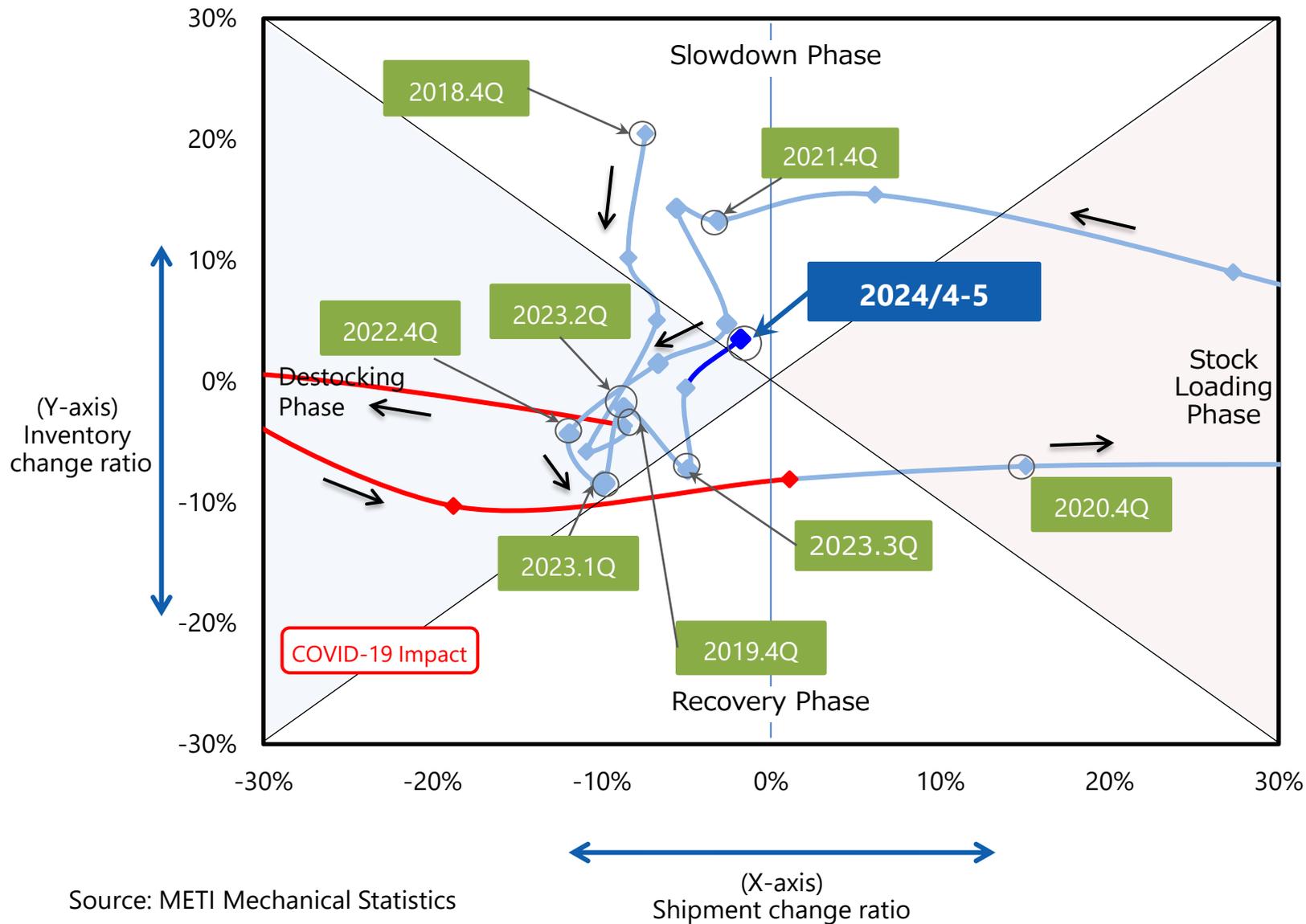
## Volume of European deliveries : Bars and Flats / Alloy Engineering Steel



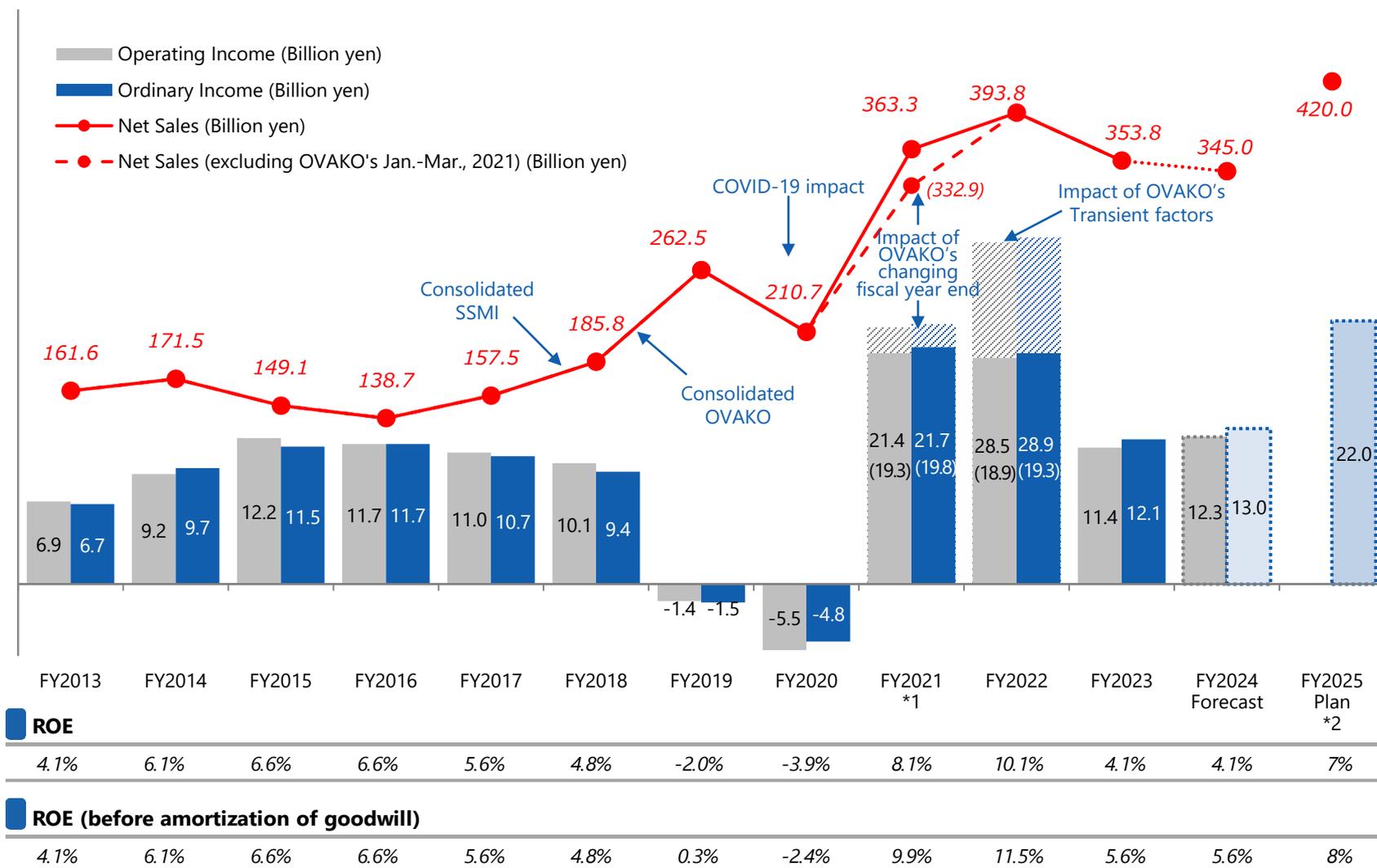
## Volume of order booked (Bearing steel products)



# Inventory Circulation Diagram (Bearing Products)



# Net Sales and Income (Fiscal)

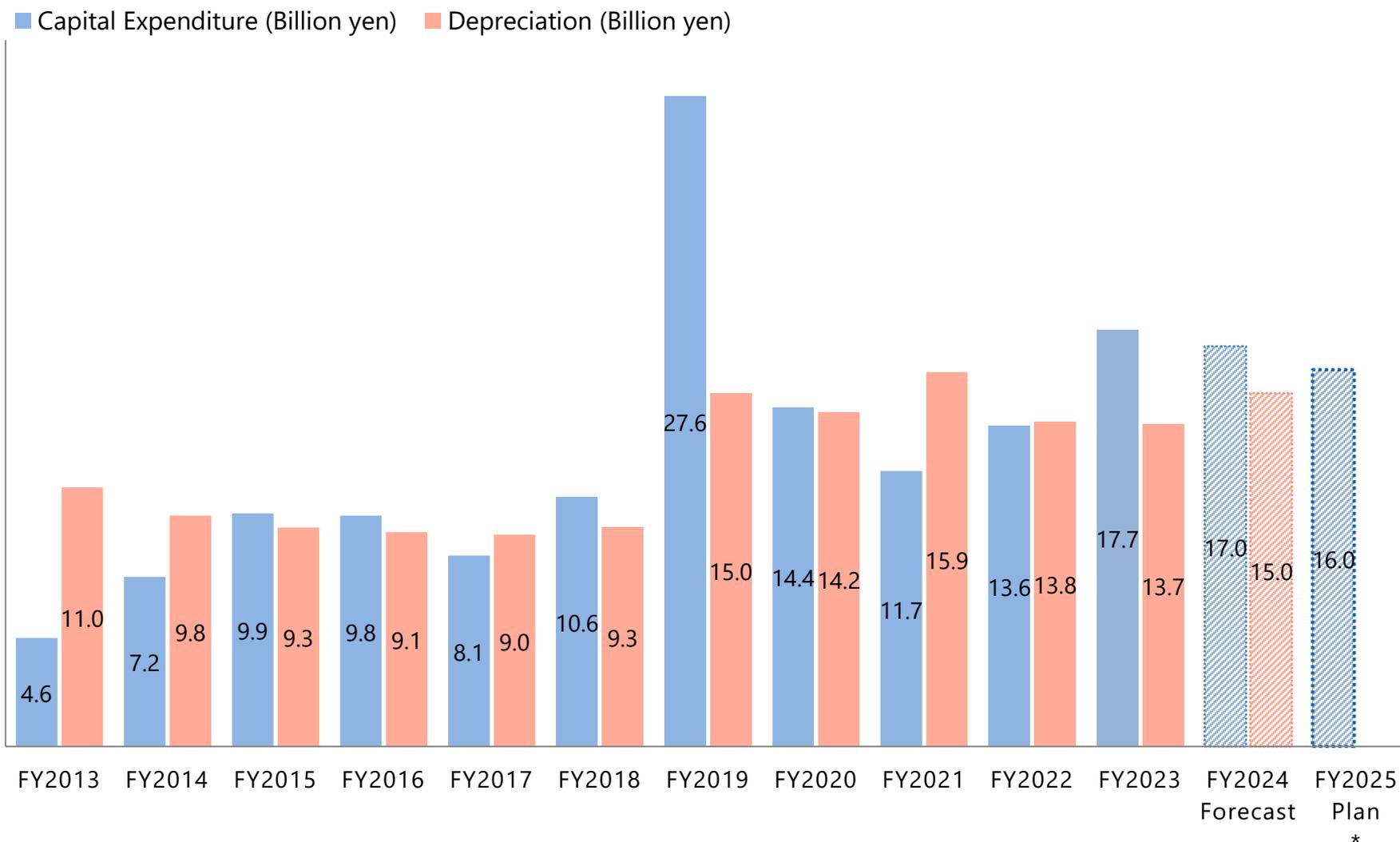


\*1 FY2021 reflects numbers of OVAKO by 15 months from Jan. 2021 to Mar. 2022.

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

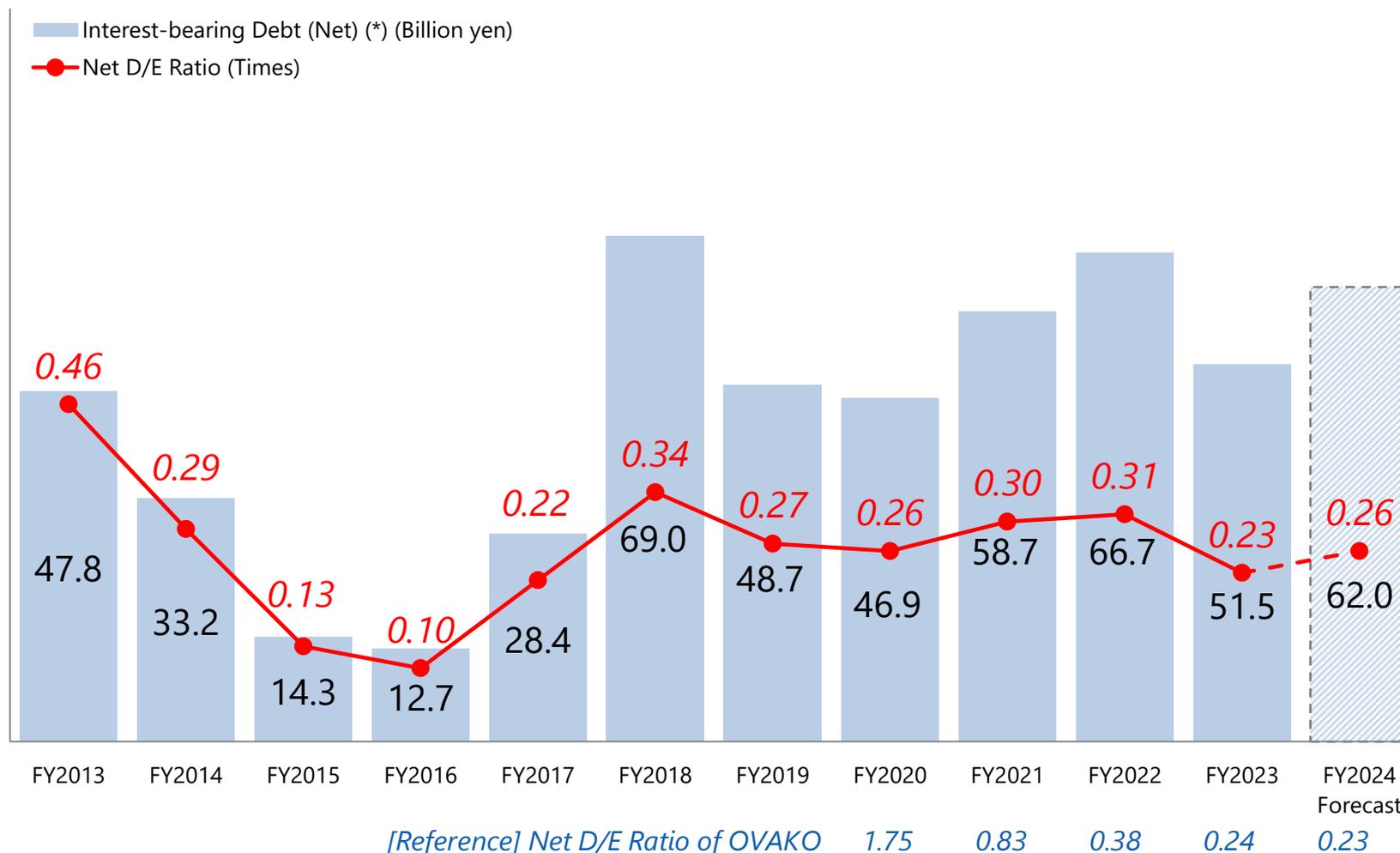
\*3 SSMI has been consolidated since FY2018/2Q, and OVAKO has been consolidated since FY2019/1Q for profit and loss.

# 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 (FY2024/1Q vs. FY2023/1Q)

(Unit: Billion yen, Yen per share)

	FY2024/1Q		FY2023/1Q		Change (B) → (A)	
	(A)	(B)	Amount	Ratio (%)		
<b>Net Sales</b>	<b>88.5</b>	<b>99.9</b>	<b>-11.3</b>	<b>-11.4</b>		
(Sanyo)	39.1	48.0	-8.9	-18.6		
(OVAKO)	41.3	44.3	-2.9	-6.6		
(SSMI)	5.6	5.5	+0.1	+2.1		
<b>Operating Income</b>	<b>2.5</b>	<b>5.5</b>	<b>-3.0</b>	<b>-55.3</b>		
(Sanyo)	0.2	0.3	-0.1	-36.9		
(OVAKO)	3.0	5.4	-2.5	-45.1		
(SSMI)	0.3	0.2	+0.1	+24.5		
(Amortization of goodwill)	-0.9	-0.8	-0.1	—		
<b>Ordinary Income</b>	<b>2.8</b>	<b>6.1</b>	<b>-3.3</b>	<b>-53.5</b>		
(Sanyo)	1.4	2.0	-0.6	-30.7		
(OVAKO)	2.8	5.2	-2.4	-45.6		
(SSMI)	0.2	0.2	+0.0	+13.4		
(Amortization of goodwill)	-0.9	-0.8	-0.1	—		
<b>Net Income <sup>*1</sup></b>	<b>2.0</b>	<b>4.3</b>	<b>-2.3</b>	<b>-52.9</b>		
<b>Earnings Per Share</b>	<b>37.3</b>	<b>79.1</b>	<b>-41.8</b>	<b>-52.9</b>		
Operating Income before amortization of goodwill	3.3	6.3	-2.9	-47.0		
Ordinary Income before amortization of goodwill	3.7	6.8	-3.2	-46.1		
Net Income before amortization of goodwill	2.9	5.1	-2.2	-42.9		
Earnings Per Share before amortization of goodwill	53.3	93.4	-40.1	-42.9		
<b>Sales Volume (Thousand tons)</b>	<b>352</b>	<b>392</b>	<b>-40</b>	<b>-10.1</b>		
(Sanyo)	175	213	-38	-18.0		
(OVAKO)	150	152	-2	-1.2		
(SSMI)	27	27	+0	+1.1		

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

# Details of Statements of Income

## (FY2024 Forecast Announced on July 30, 2024 vs. FY2023)

(Unit: Billion yen, Yen per share)

	FY24/1H	FY24/2H	FY2024 Forecast	FY2023	Change (D) → (C)	
	Forecast (A)	Forecast (B)	(C)=(A)+(B)	(D)	Amount	Ratio (%)
<b>Net Sales</b>	<b>165.0</b>	<b>180.0</b>	<b>345.0</b>	<b>353.8</b>	<b>-8.8</b>	<b>-2.5</b>
(Sanyo)	80.0	83.0	163.0	178.2	-15.2	-8.5
(OVAKO)	69.5	78.5	148.0	144.0	+4.0	+2.8
(SSMI)	12.0	14.0	26.0	22.9	+3.1	+13.6
<b>Operating Income</b>	<b>2.6</b>	<b>9.7</b>	<b>12.3</b>	<b>11.4</b>	<b>+0.9</b>	<b>+8.2</b>
(Sanyo)	1.3	4.5	5.8	4.3	+1.5	+35.7
(OVAKO)	2.4	4.8	7.2	8.9	-1.7	-19.3
(SSMI)	0.6	0.8	1.4	1.0	+0.4	+41.7
(Amortization of goodwill)	-1.7	-1.7	-3.4	-3.2	-0.2	—
<b>Ordinary Income</b>	<b>2.5</b>	<b>10.5</b>	<b>13.0</b>	<b>12.1</b>	<b>+0.9</b>	<b>+7.3</b>
(Sanyo)	4.7	5.8	10.5	9.0	+1.5	+17.1
(OVAKO)	2.3	4.2	6.5	8.4	-1.9	-22.9
(SSMI)	0.4	0.6	1.0	0.7	+0.3	+49.4
(Amortization of goodwill)	-1.7	-1.7	-3.4	-3.2	-0.2	—
<b>Net Income <sup>*1</sup></b>	<b>1.2</b>	<b>8.3</b>	<b>9.5</b>	<b>9.1</b>	<b>+0.4</b>	<b>+4.9</b>
<b>Earnings Per Share</b>	<b>22.0</b>		<b>174.4</b>	<b>166.2</b>	<b>+8.1</b>	<b>+4.9</b>
Operating Income before amortization of goodwill	4.3	11.4	15.7	14.6	+1.1	+7.4
Ordinary Income before amortization of goodwill	4.2	12.2	16.4	15.4	+1.0	+6.7
Net Income before amortization of goodwill	2.9	10.0	12.9	12.3	+0.6	+4.9
Earnings Per Share before amortization of goodwill	53.2		236.8	225.8	+11.0	+4.9
<b>Sales Volume (Thousand tons)</b>	<b>671</b>	<b>767</b>	<b>1,438</b>	<b>1,429</b>	<b>+10</b>	<b>+0.7</b>
(Sanyo)	362	405	767	806	-39	-4.8
(OVAKO)	253	296	549	508	+41	+8.2
(SSMI)	56	66	122	115	+7	+6.1

\*1 Profit attributable to owners of parent

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

# Details of Statements of Income

## (FY2024 Revised Forecast announced on July 30, 2024 vs. Previous Forecast)

(Unit: Billion yen, Yen per share)

	Revised Forecast (Announced on Jul. 30, 2024)		Previous Forecast (Announced on Apr. 30, 2024)		Change	
	FY2024/1H	FY2024	FY2024/1H	FY2024	FY2024/1H	FY2024
	<b>Net Sales</b>	<b>165.0</b>	<b>345.0</b>	<b>162.5</b>	<b>345.0</b>	<b>+2.5</b>
(Sanyo)	80.0	163.0	77.5	163.0	+2.5	—
(OVAKO)	69.5	148.0	69.5	148.0	—	—
(SSMI)	12.0	26.0	12.0	26.0	—	—
<b>Operating Income</b>	<b>2.6</b>	<b>12.3</b>	<b>2.1</b>	<b>12.4</b>	<b>+0.5</b>	<b>-0.1</b>
(Sanyo)	1.3	5.8	1.2	6.2	+0.1	-0.4
(OVAKO)	2.4	7.2	1.8	7.0	+0.6	+0.2
(SSMI)	0.6	1.4	0.5	1.4	+0.1	—
(Amortization of goodwill)	-1.7	-3.4	-1.6	-3.1	-0.1	-0.3
<b>Ordinary Income</b>	<b>2.5</b>	<b>13.0</b>	<b>2.0</b>	<b>13.0</b>	<b>+0.5</b>	<b>—</b>
(Sanyo)	4.7	10.5	4.2	10.5	+0.5	—
(OVAKO)	2.3	6.5	1.8	6.5	+0.5	—
(SSMI)	0.4	1.0	0.3	1.0	+0.1	—
(Amortization of goodwill)	-1.7	-3.4	-1.6	-3.1	-0.1	-0.3
<b>Net Income <sup>*1</sup></b>	<b>1.2</b>	<b>9.5</b>	<b>1.0</b>	<b>9.5</b>	<b>+0.2</b>	<b>—</b>
<b>Earnings Per Share</b>	<b>22.0</b>	<b>174.4</b>	<b>18.4</b>	<b>174.4</b>	<b>+3.7</b>	<b>—</b>
Operating Income before amortization of goodwill	4.3	15.7	3.7	15.5	+0.6	+0.2
Ordinary Income before amortization of goodwill	4.2	16.4	3.6	16.1	+0.6	+0.3
Net Income before amortization of goodwill	2.9	12.9	2.6	12.6	+0.3	+0.3
Earnings Per Share before amortization of goodwill	53.2	236.8	47.7	231.3	+5.5	+5.5
<b>Sales Volume (Thousand tons)</b>	<b>671</b>	<b>1,438</b>	<b>673</b>	<b>1,452</b>	<b>-2</b>	<b>-14</b>
(Sanyo)	362	767	369	780	-7	-13
(OVAKO)	253	549	246	545	+7	+4
(SSMI)	56	122	58	127	-2	-5

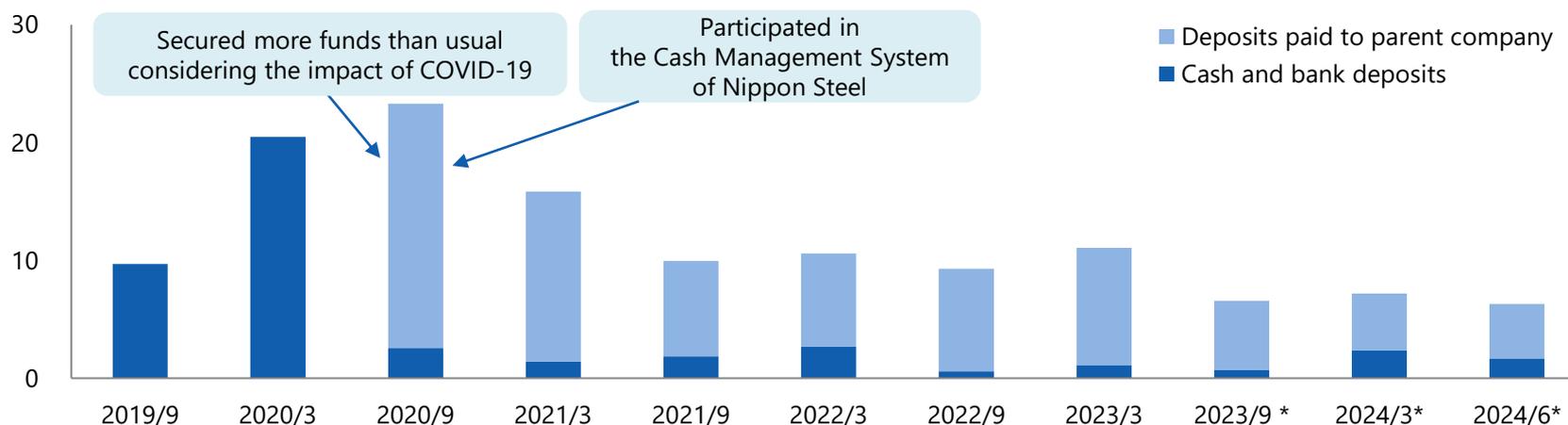
\*1 Profit attributable to owners of parent \*2 The consolidated accounting period for SSMI is Jan. to Dec.

# 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)

(Billion yen)



\* 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.

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