

Overview of Business Results

for the 1st Half of Fiscal Year Ending March 31, 2022
(April 2021 → September 2021)

October 29, 2021

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

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

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1 . FY2021 1st Half Results and FY2021 Forecast

Outline of Statements of Income (FY21/1H vs FY20/1H)

1. Outline of FY2021 1st Half Result

Ordinary income in FY21/1H : 10.5 billion yen (+14.4 billion yen, record high half-year profit)

▶ Profit on YOY basis increased due to recovery of sales volume and reduction of variable cost, partly offset by increase of iron scrap price and fixed cost due to the termination of emergency profit improvement measures and actions in 2020.

[Due to the change of fiscal year end, Ovako's results and Amortization of goodwill in FY21/1H include 9 months (Jan.-Sep. 2021)]

(Reference) Sales Volume (for Ovako ; FY21/1H Jan. to Sep., FY20/1H Jan. to Jun. and for MSSS; Jan. to Jun.)

	FY21/1H (A)		FY20/1H (B)		Change(B) → (A)	
Sales Volume (Thousand tons)	1,079	(per month) 151.4	627	(per month) 104.5	+452	(per month) +47.0
(Sanyo)	511	85.2	273	45.4	+239	+39.8
(Ovako)	511	56.8	320	53.3	+191	+3.5
(MSSS)	57	9.5	35	5.8	+22	+3.7

2. Statements of Income (FY21/1H vs. FY20/1H)

(Unit : Billion yen)

	FY21/1H(A)		FY20/1H (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	183.3	100.0	97.2	100.0	+86.1	+88.6
Operating Income	10.4	5.7	-3.9	-4.0	+14.3	-
Ordinary Income	10.5	ROS 5.7	-4.0	ROS -4.1	+14.4	-
(Sanyo)	5.2	6.5	-1.7	-4.0	+6.9	-
(Ovako) *1	6.8	7.4	0.4	0.9	+6.4	+1,499.3
(MSSS) *2	0.2	2.0	-0.8	-18.4	+0.9	-
(Amortization of goodwill) *1	-2.0	-	-1.2	-	-0.8	-
Net Income *3	7.3	4.0	-3.3	-3.4	+10.6	-
Net Income before amortization of goodwill	9.3	5.1	-2.1	-2.1	+11.4	-

*1 The consolidated accounting period for Ovako including Amortization of goodwill are as follows,

FY2021/1H : 9 months(Jan. to Sep. 2021), FY2020/1H : 6 months(Jan. to Jun. 2021)

*2 The consolidated accounting period for MSSS is Jan. to June. 2021.

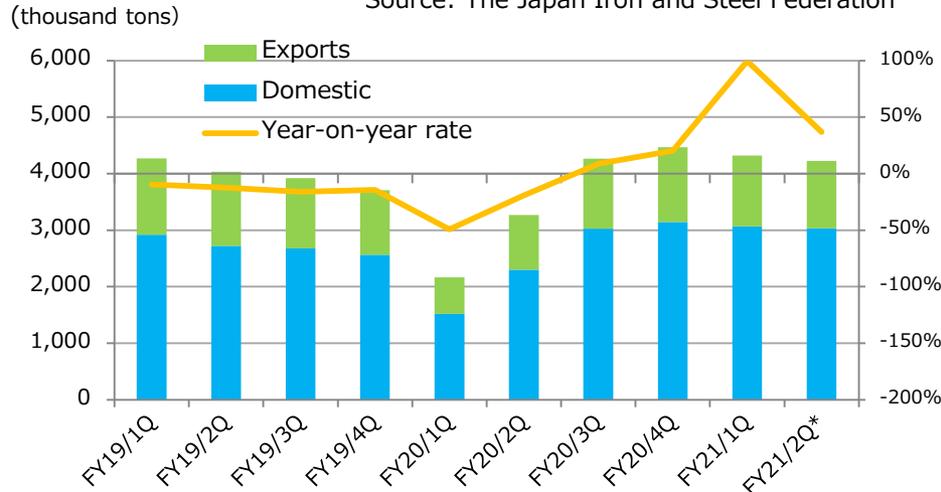
*3 Profit attributable to owners of parent

Demand tendencies for special steel

Demand of special steel has been strong in all major markets, but shortage of semiconductor and automotive parts have started to impact the demand from automobile industry.

■Volume of order booked (Specialty steel products)

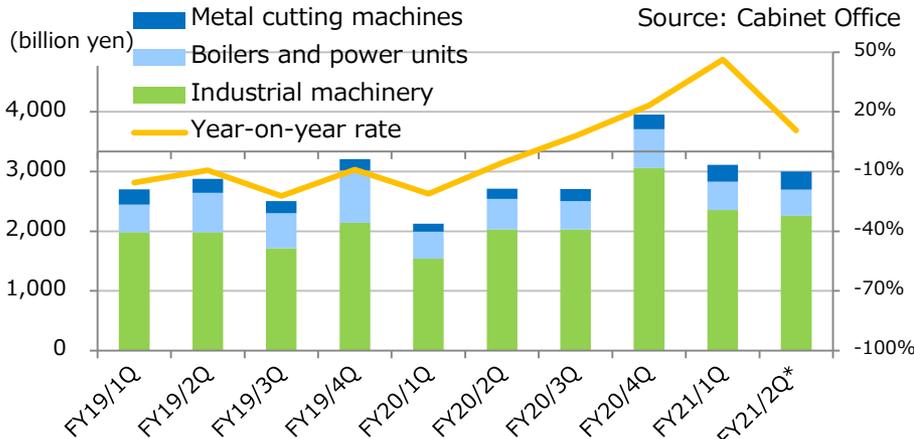
Source: The Japan Iron and Steel Federation



* 2021FY2Q: Sanyo calculated at 1.5 times the total of July and August

■Orders of Industrial machinery, Metal cutting machines and Boilers and power units

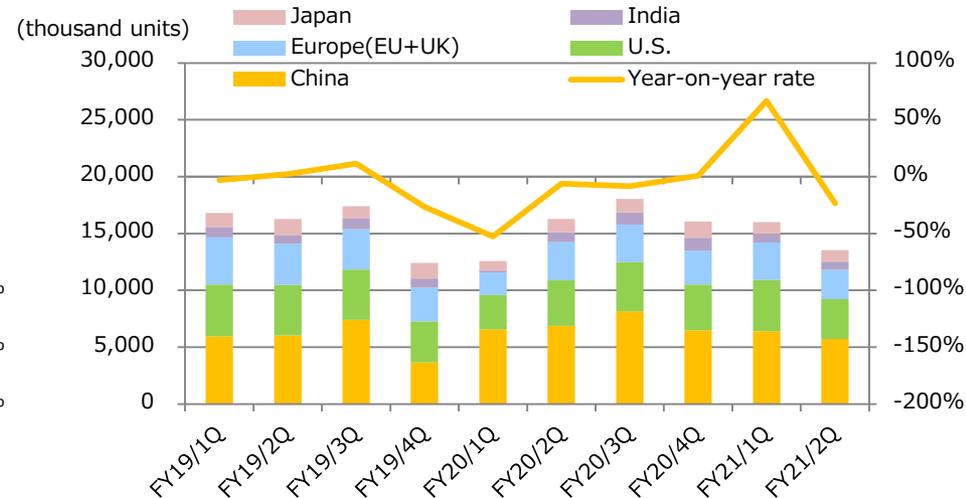
Source: Cabinet Office



* 2021FY2Q: Sanyo calculated at 1.5 times the total of July and August

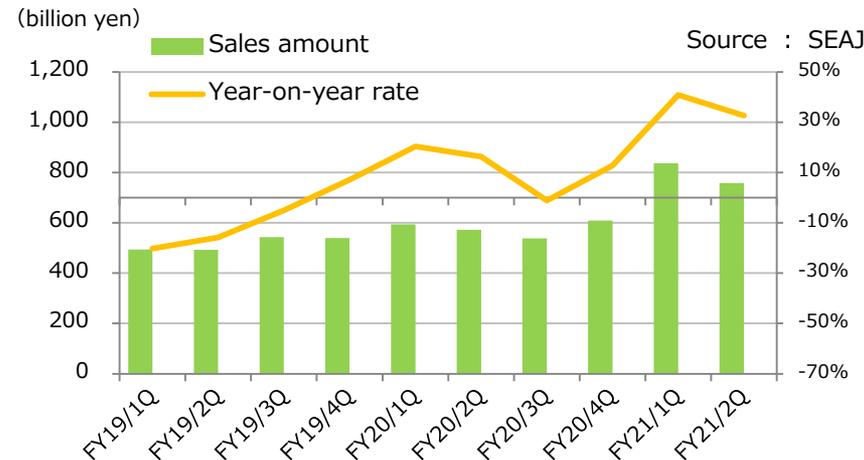
■Units of automobile sales

Source: MarkLines Co., Ltd., ACEA



■Sales amount of semiconductor manufacturing equipment

Source: SEAJ

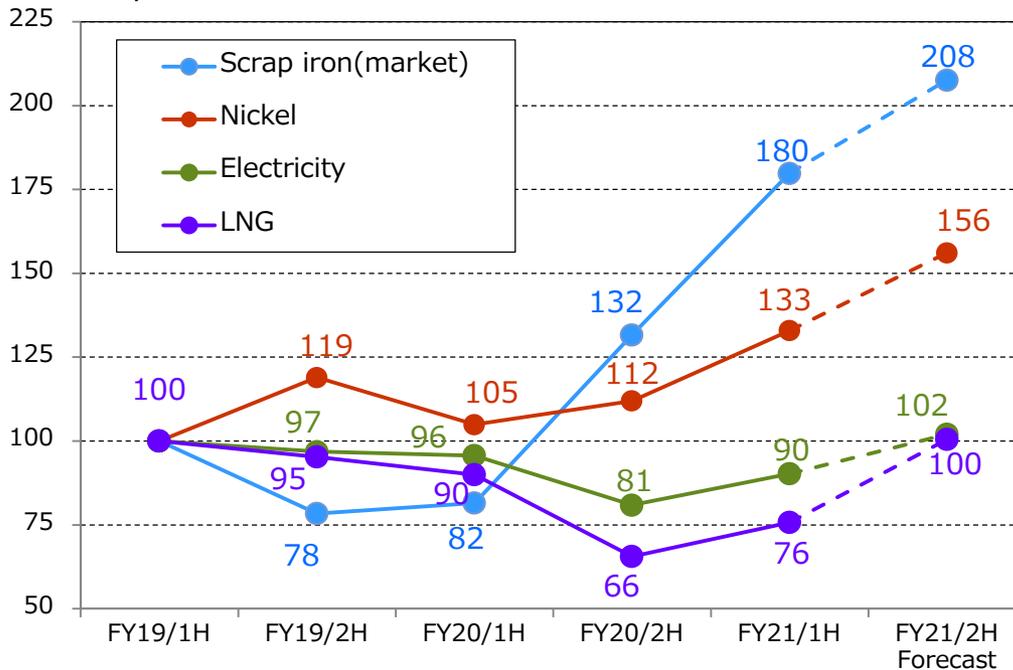


Raw Material and Fuel Prices

- The iron scrap price has been soaring due to high domestic crude steel production and recommencement of high-grade scrap import by China.
- Alloy price has been rising due to restrained production and increased demand.
- Energy prices such as crude oil, natural gas, etc. are skyrocketing as well.

Raw Material and Fuel Prices

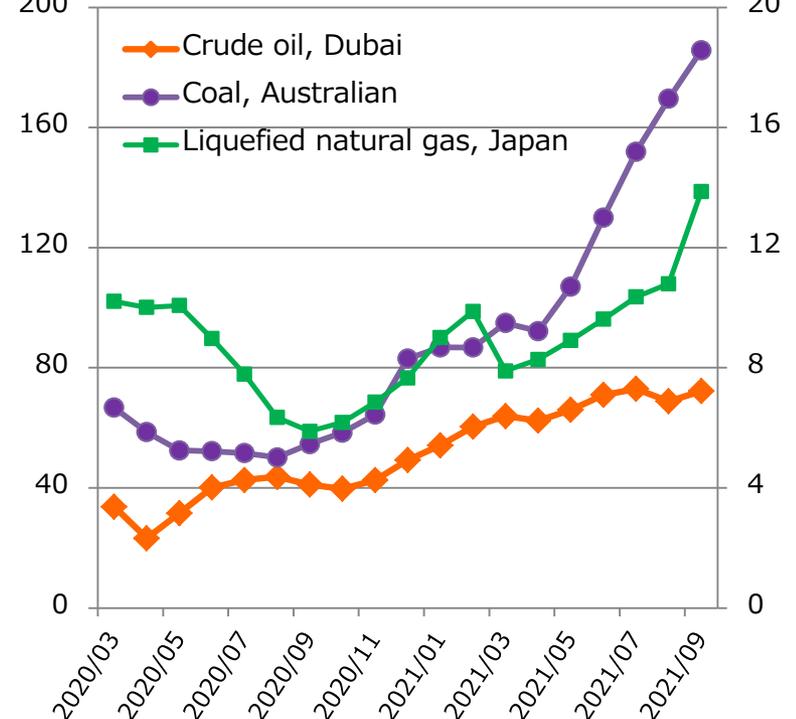
(FY19/1H=100)



* Based on purchase price

Crude oil, Coal and Natural gas Prices

Crude oil(\$/bbl)
Coal(\$/mt)
LNG (\$/mmbtu)

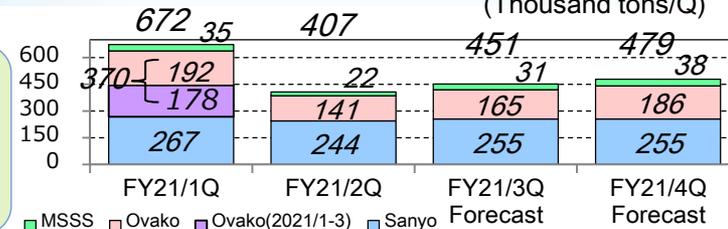


Source: World Bank

Revised Business Forecast for FY21

(announced on October 29,2021)

(Reference) FY2021 Sales volume Forecast
(Thousand tons/Q)



1. FY2021 Outlook

- Ordinary income ;14.0 billion yen(+3.5 billion yen compared to previous forecast)
Sanyo; Sales margin recovery including base price increase
Ovako; Sales volume increase and sales margin recovery including base price increase
- We will further continue improving profit margin and securing a lean and robust corporate structure of all group entities.

2. FY2021 Forecast

(Unit : Billion yen)

	Revised forecast (A) '21/10/29			Previous forecast (B) '21/7/30			Change(B) → (A)		
	1H	2H	FY21	1H	2H	FY21	1H	2H	FY21
Net Sales	183.3	166.7	350.0	182.0	163.0	345.0	+1.3	+3.7	+5.0
Operating Income	10.4	3.7	14.1	8.7	2.2	10.9	+1.7	+1.5	+3.2
Ordinary Income	10.5	3.5	14.0	8.5	2.0	10.5	+2.0	+1.5	+3.5
(Sanyo)	5.2	1.6	6.8	4.4	1.3	5.7	+0.8	+0.3	+1.1
(Ovako) *1	6.8	2.4	9.3	5.6	1.8	7.4	+1.2	+0.6	+1.9
(MSSS) *2	0.2	0.3	0.4	0.2	0.1	0.3	-0.0	+0.2	+0.1
(Amortization of goodwill) *1	-2.0	-1.4	-3.4	-2.0	-1.3	-3.3	0.0	-0.1	-0.1
Net Income *3	7.3	1.8	9.1	6.1	1.0	7.1	+1.2	+0.8	+2.0
Net Income before amortization of goodwill	9.3	3.2	12.5	8.1	2.3	10.4	+1.2	+0.9	+2.1
Sales Volume (Thousand tons)	1,079	930	2,009	1,087	926	2,013	-8	+4	-4
(Sanyo)	511	510	1,021	522	510	1,032	-11	0	-11
(Ovako)	511	351	862	508	340	848	+3	+11	+14
(MSSS)	57	69	126	57	76	132	0	-6	-6

*1 The consolidated accounting periods for Ovako including Amortization of goodwill are as follows;
FY2021:15 months(Jan. 2021 to Mar. 2022)

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

*3 Profit attributable to owners of parent

Major prerequisites after October 2021

·Scrap iron 56,000 yen/t (H2 market price in Himeji area)

·Crude oil(Dubai) 90\$/BL ·Exchange rate 110 yen/US\$, 131 yen/€

Improvement of Profit Margin

We will further continue to improve profit margin by raising sales price including base price.

Appropriate reflection of high value-in-use of Sanyo's products

We will further reflect the superior value-in-use of Sanyo's high-cleanliness steel to sales price, with consideration to international price level of similar products.

Sharp increase in raw material and fuel prices

- The prices of iron scrap and alloys are soaring.
 - The prices of electricity and natural gas is expected to rise because of the sharp increase of crude oil and coal price.
- Unable to offset by internal cost reduction only

We announced to raise sales price to all customers on September 3, 2021.

- 1 . Product : Engineering carbon steel, engineering alloy steel, bearing steel
- 2 . Markup : +15 thousand yen/t (including base price increase)
 - In addition to base price increase, we will propose renewing the conditions of iron scrap surcharge to each customer.
- 3 . Schedule: New price from September 2021 contract or October 2021 delivery.

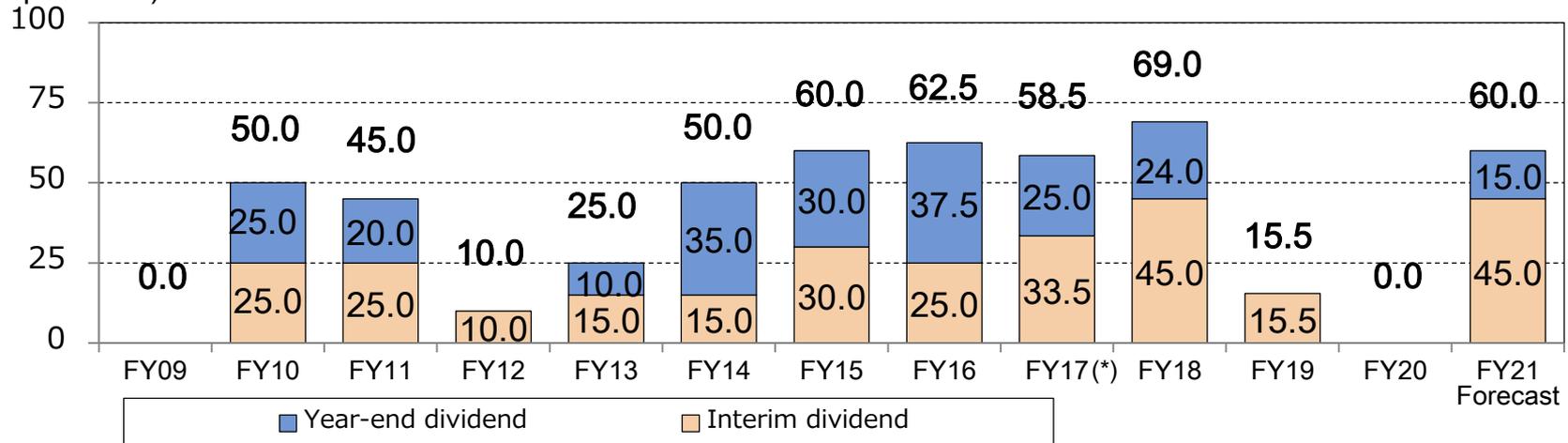
Under negotiation with our customers based on the above policy.

Interim Dividend and Revision of Dividend Forecast for FY21 (announced on October 29, 2021)

			Revised forecast (A) '21/10/29			Previous forecast (B) '21/7/30			Change(B) → (A)		
			FY21 1H Result	FY21 2H Forecast	FY21	FY21 1H	FY21 2H	FY21	FY21 1H	FY21 2H	FY21
Earnings Per Share(EPS)	A	¥/ share	133.8	-	167.0	112.0	-	130.3	+21.8	-	+36.7
EPS before amortization of Goodwill	B	¥/ share	170.8	-	229.4	148.7	-	190.9	+22.2	-	+38.5
Dividend	C	¥/ share	45.0	15.0	60.0	45.0	10.0	55.0	-	+5.0	+5.0
Payout Ratio	C/B	%	26.3	-	26.2	30.3	-	28.8	-3.9	-	-2.7
	C/A	%	33.6	-	35.9	40.2	-	42.2	-6.6	-	-6.3

* Scheduled date to pay interim dividends : November 30, 2021

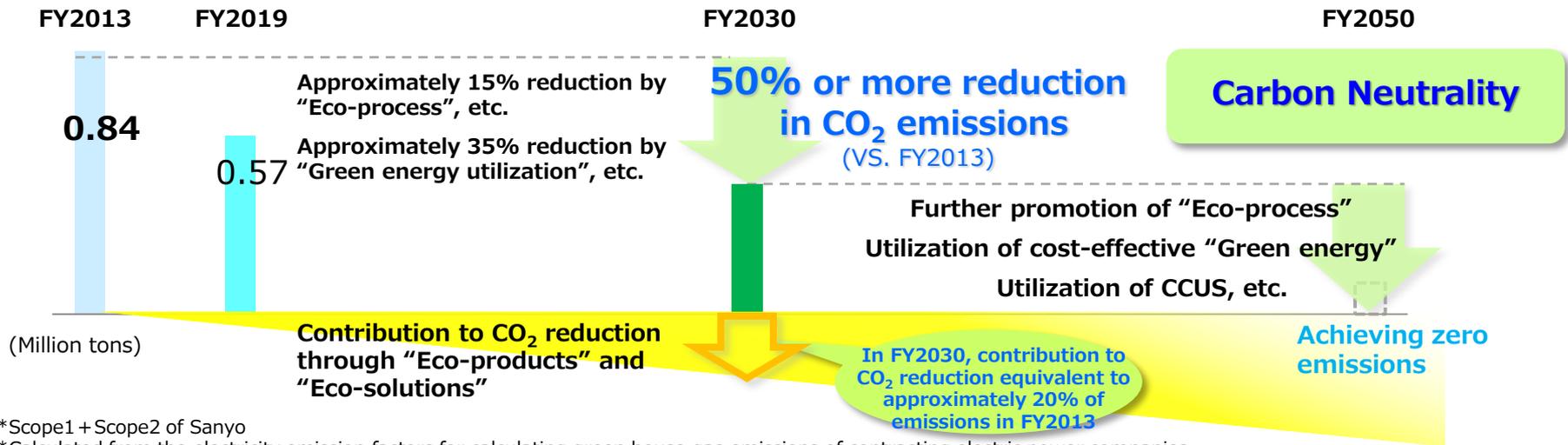
(Yen per share)



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

2. Achieving Carbon Neutrality(CN) by 2050

Sanyo's Roadmap to Carbon Neutrality by 2050



*Scope1 + Scope2 of Sanyo

*Calculated from the electricity emission factors for calculating green house gas emissions of contracting electric power companies



Eco-process

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

Energy-saving heating furnace that uses regenerative burners



Green energy utilization

Utilization of carbon free electricity/fuels and natural energy

*Refer to Engagement by Ovako



Eco-products

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

Developing long-life bearing steel for wind power generation



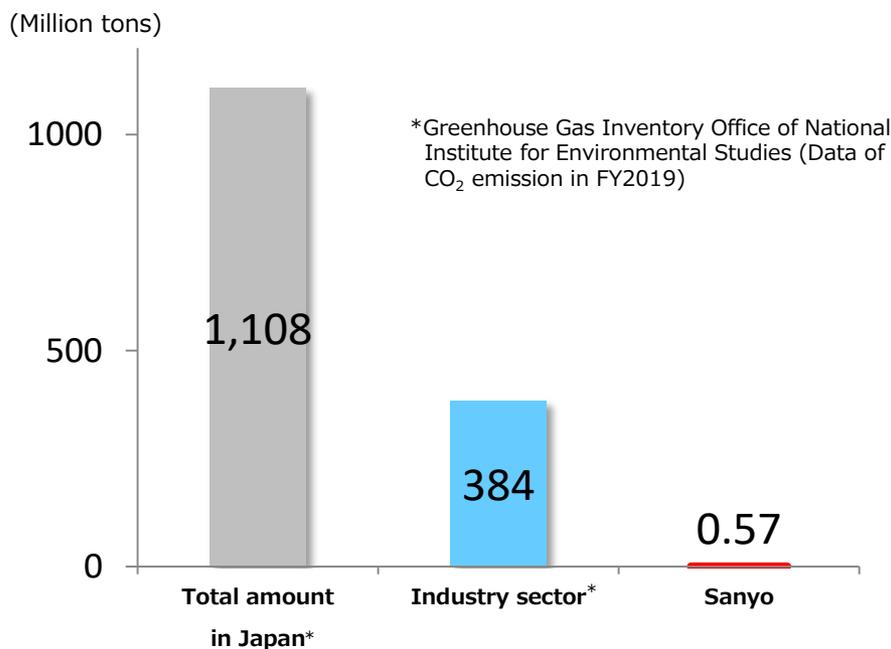
Eco-solutions

Sharing our energy-saving technologies and productivity improvements among all Sanyo Group members including Ovako and MSSS

Sharing technologies among group members

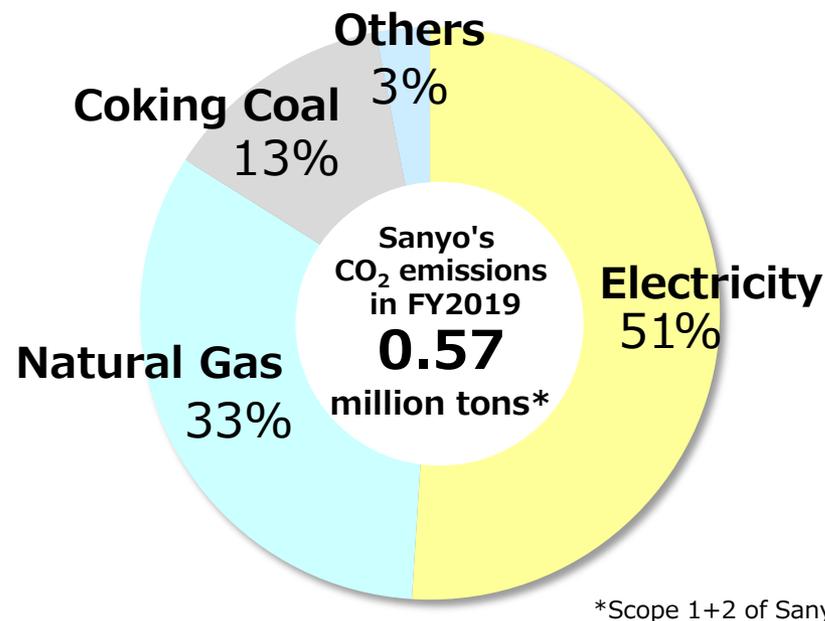
Basic Consideration to Carbon Neutrality

Amount of CO₂ emissions in FY2019



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."

CO₂ Reduction through “Eco-products”

Sanyo is particularly 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

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

High hardness and High toughness steel



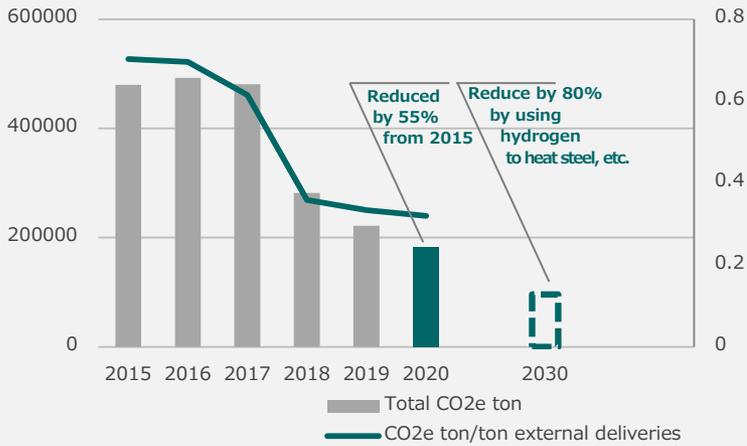
Reduction of carbon emissions in heat hardening process of customers by original alloy design and advanced heat treatment technology

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

Green house gas emissions from operations

CO₂e/ton Scope 1 and 2 according to GHS Protocoll and ISO14064



- Reduce CO₂ from operations by 80% from 2015 level**
- Continue to evolve Our world-leading CO₂ footprint**
- Enhanced steel recyclability** (Driven by Ovako initiative)
- Increased number of customer** (End-products that use our steel for greater CO₂ savings)

Made by Sanyo based on Ovako's SUSTAINABILITY REPORT 2020



Reduced CO₂ emissions by 55% from 2015

First in the world to heat steel using hydrogen

Fossil-free hydrogen initiative

Achieving carbon-neutrality
(Announced on September 28, 2021)

From January 2022, Ovako will be carbon neutral in production

2020

April 2020

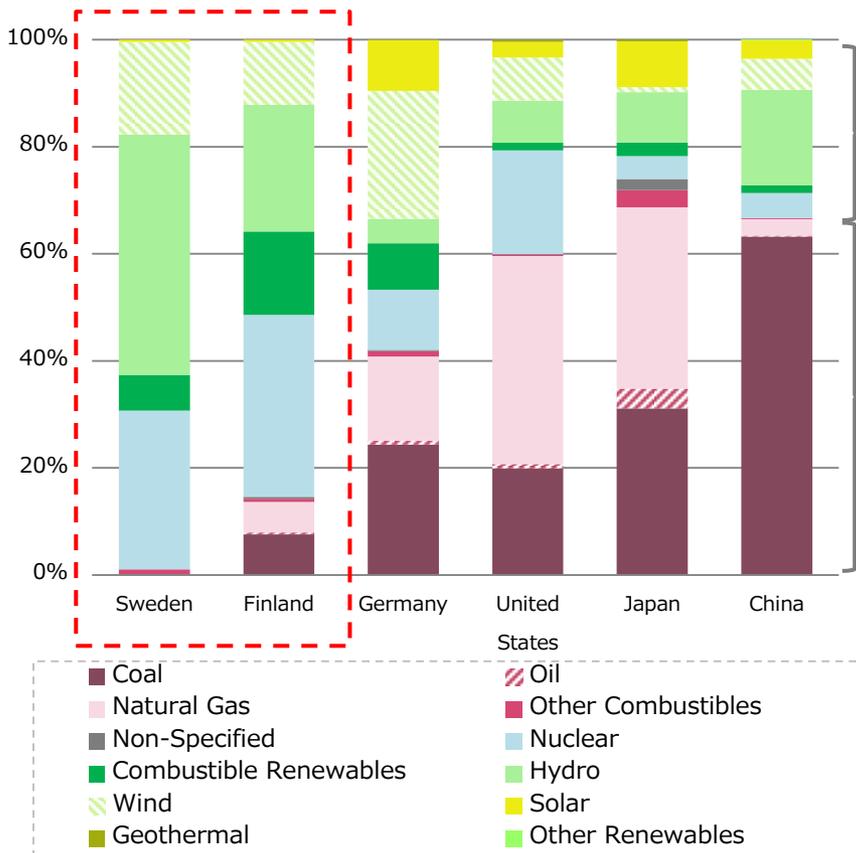
June 2021

January 2022

- ✓ Ovako will utilize carbon offset program to become carbon neutral from Jan. 2022.
- ✓ Ovako has started dialogues with customers on the introduction of climate surcharge.
- ✓ Ovako will continue promoting actual reduction of CO₂ emissions in production.

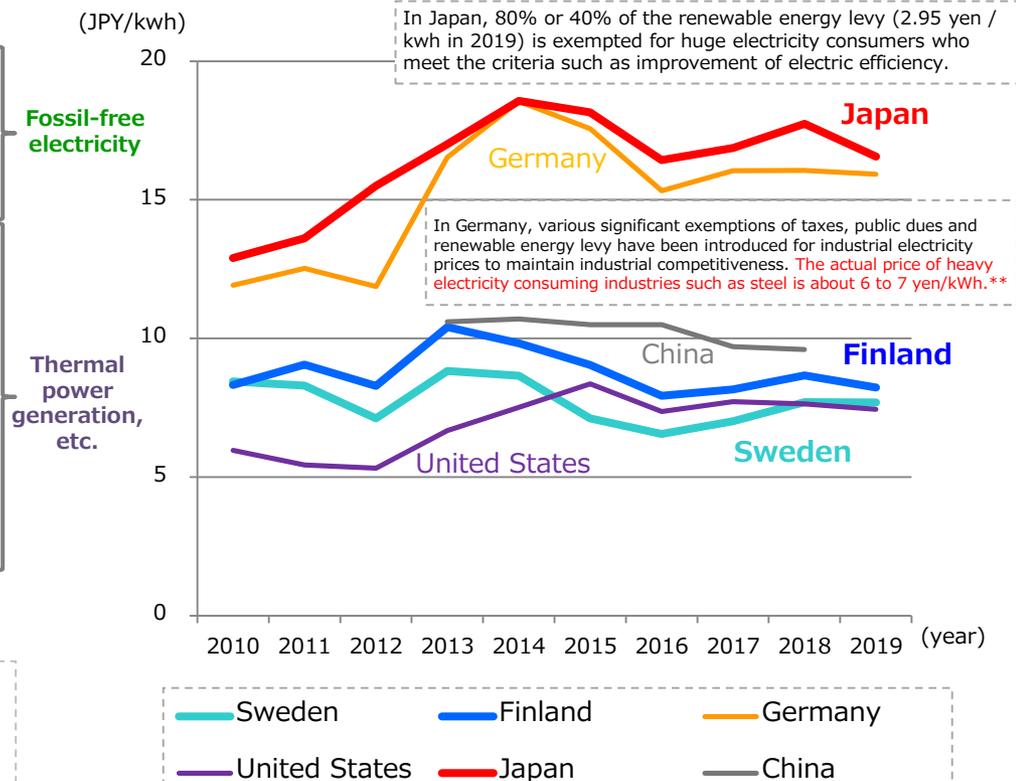
(Reference) Electricity Mix and Prices of major Countries

Electricity mix as of 2020



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

Industrial electricity prices*



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)

The ratio 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.

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

Achieving carbon neutrality

◆ Affirmation of the Task Force on Climate-related Financial Disclosures (TCFD)

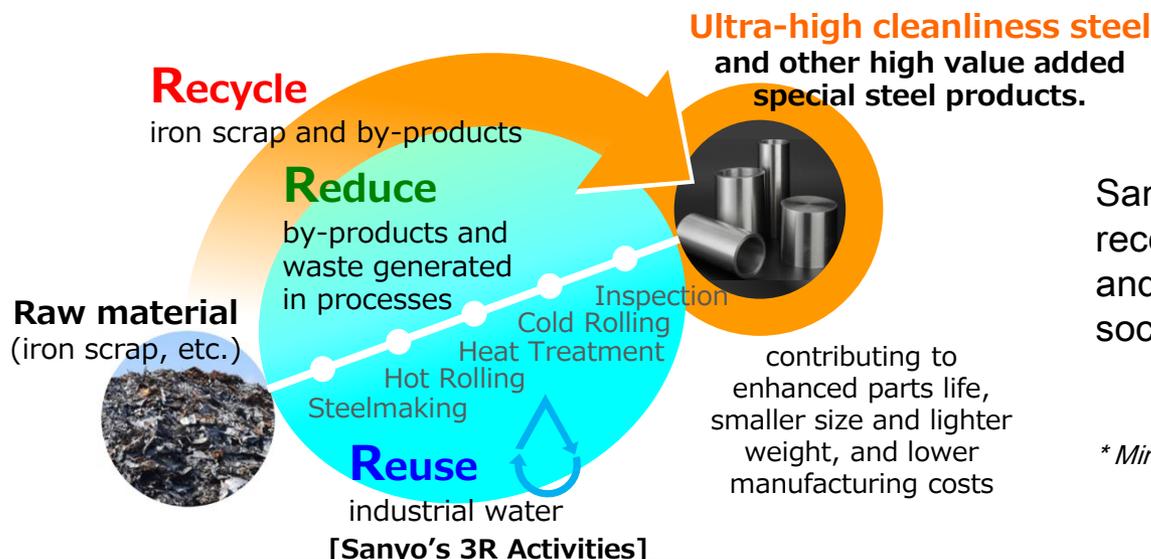
(announced on October 15, 2021)

Based on the TCFD Recommendations, we will promote disclosure of information regarding the impact of climate related issues on our group's business activities.

◆ Received Awards for Resources Recirculation Technologies and Systems supported by METI*

Subject : Recycling Iron Scraps into High-Value-Added Special Steel Using Electric Furnaces

(announced on October 8, 2021)



Sanyo's attempts have been recognized to promote carbon neutrality and to evolve resource-recycling society.

* Ministry of Economy, Trade and Industry

3. Introduction of R&D Activities

R&D activities of Sanyo

Sanyo R&D will create new value based on our manufacturing technologies for high-cleanliness steel to solve environmental issues and customer needs including carbon neutrality, CASE and DX.

Process

- ✓ Sanyo Ultra Refining Process
- ✓ Integrated line for high-quality steel
- ✓ Manufacturing line for large diameter

Products

- ✓ Long life bearing steel for use environment
- ✓ Alloy-saving and high-strength steel for gear
- ✓ Tool steel specialized in required characteristics

R & D Policy

- ✓ Practical use of basic research
- ✓ Advanced and practical use of prediction technology
- ✓ Trends survey in priority areas
- ✓ Coordination with customers
- ✓ Leverage group synergies

Creation of new value

- **Bearing steel for wind power generation** **CN**
- **High speed railway bearing steel**
- **High hardness and high toughness steel**
- **Normalizing-less steel**
- **Metal powder for 3D printing**
- **ECOMAX Series** **CASE**
contributes to quietness Pick UP
- **High hardness and high toughness steel**
replacing carburizing steels
- **High temperature carburizing steel**
ensuring ideal grain size
- **Advanced Tool Steels**
supreme fit with high strengthened materials
- **Flaky Powders for Electromagnetic Wave Absorbers** **DX**



Wind power generation



Example of power train parts



The 3D molding using the metal powder can integrally mold the composite shape (Tire Mold)

* CASE is a coined acronym for Connecting, Autonomous, Sharing, and Electric

R&D activities for CASE

Development Needs

Bearings and Gears

Safety and Comfortability

Securing of space

Drive-by-wire

Carbon Neutrality

Improvement of fuel/ electricity consumption

Vehicle miniaturization

Fit to the motor

Economy

Process reduction of parts-manufacturing

Recyclability

Material availability

Compact and lightweight design

Lower viscosity of lubricating oil

Superior quietness

Rare elements -free

Improvement of workability
Forging, heat treatment, and machinability

Alloy saving design

Features

Examples achieved in R&D

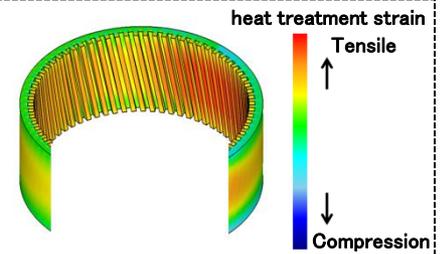
☆ Alloy-saving-type high-strength steel

ECOMAX Series

- ✓ Low strain in heat treatment
- ✓ Suitable for low viscosity lubrication
- ✓ Allow to omit some heat treatment



Conformable to CASE.



- Deformation analysis result by heat treatment

☆ Ultra-high-cleanliness steel

SNRP, SURP

- ✓ excellent durability



Contributing to miniaturization and weight reduction.



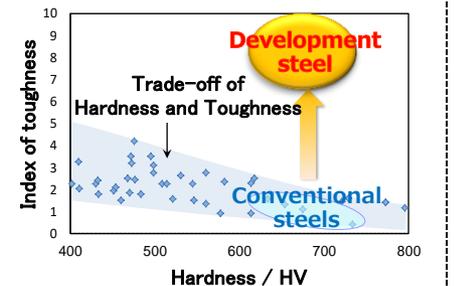
- Sanyo Ultra Refining Process
- Cleanliness evaluation technology

☆ High hardness and high toughness steel

- ✓ Compatibility of hardness and toughness



Omission of gas carburizing (reduction of processing time and CO₂ emission)



- Industry-academia collaboration research

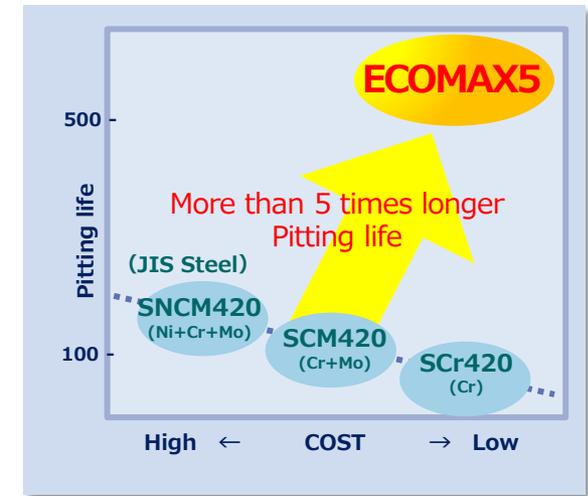
* Drive-by-wire : The system uses electrical signals to control acceleration and braking, instead of conventional mechanical controls.

R&D activities for eco-product

◆ Development of “ECOMAX5”

(announced on October 25, 2021)

New lineup of nickel- molybdenum free high-strength steel for case-hardening
 ~ Reducing cost and CO₂ emissions during manufacturing processes for gears and shafts ~

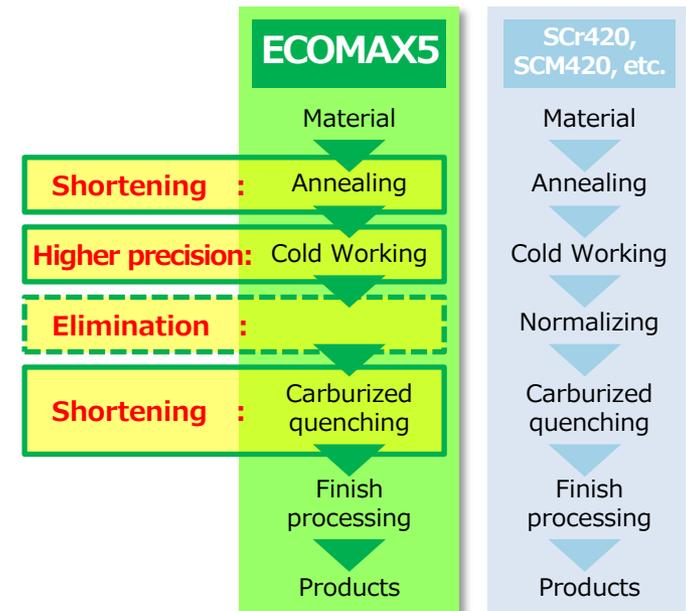


■ Contribution to compact and lightweight design for gears and shafts

- ✓ High strength while saving nickel and molybdenum
- ✓ More than 5 times longer life for pitting on gear tooth surface compared to commonly used steel

■ Reduction of CO₂ emissions by simplifying part-manufacturing process

- ✓ Reducing process time in annealing
- ✓ Suitable for near-net forging by preventing cracks
- ✓ Shortening the processing time by omitting the normalizing or increasing carburizing temperature because of its excellent grain coarsening resistance

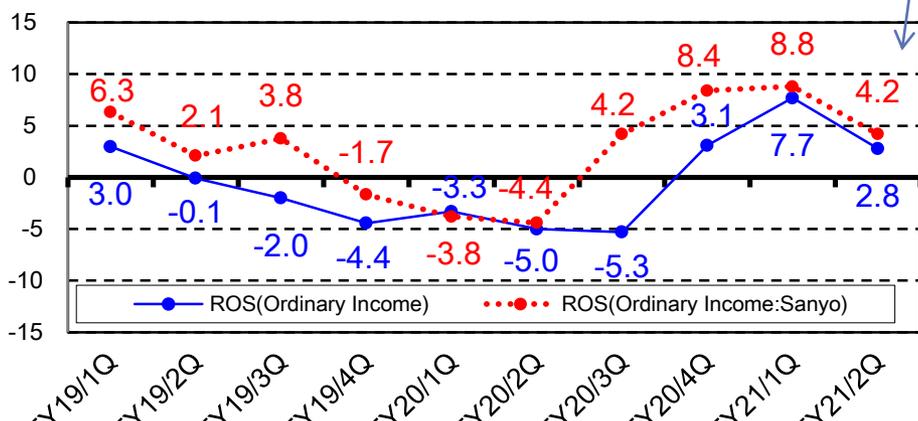
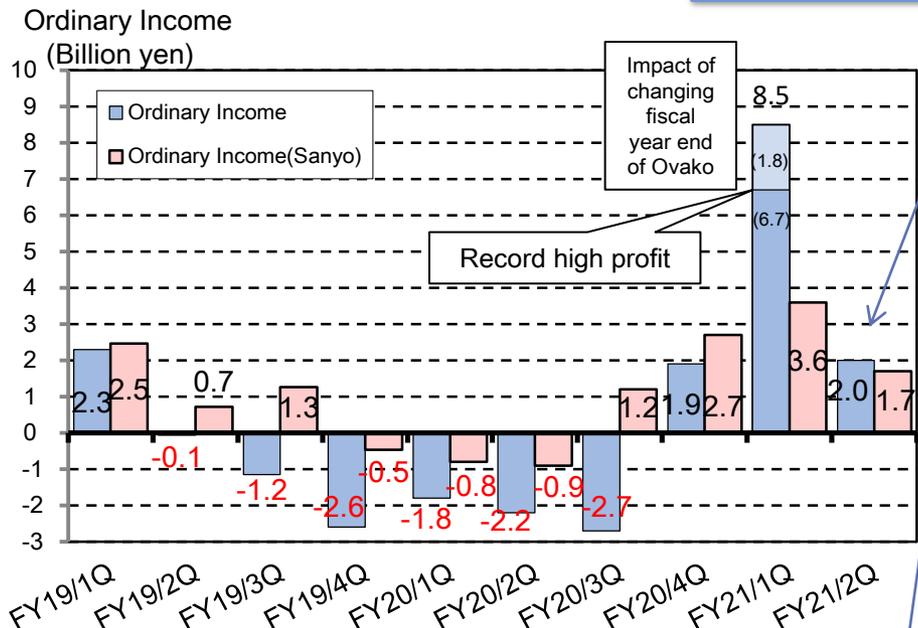
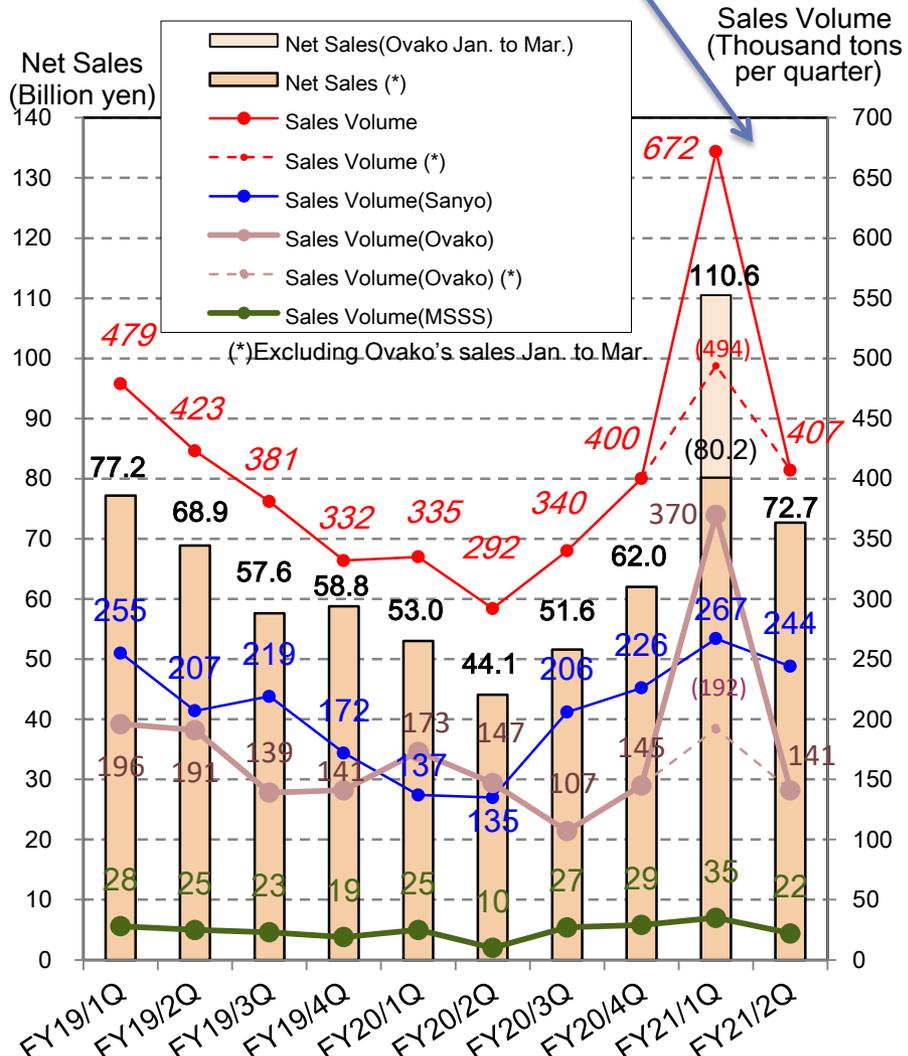


4. Details of Results and Forecast for FY2021

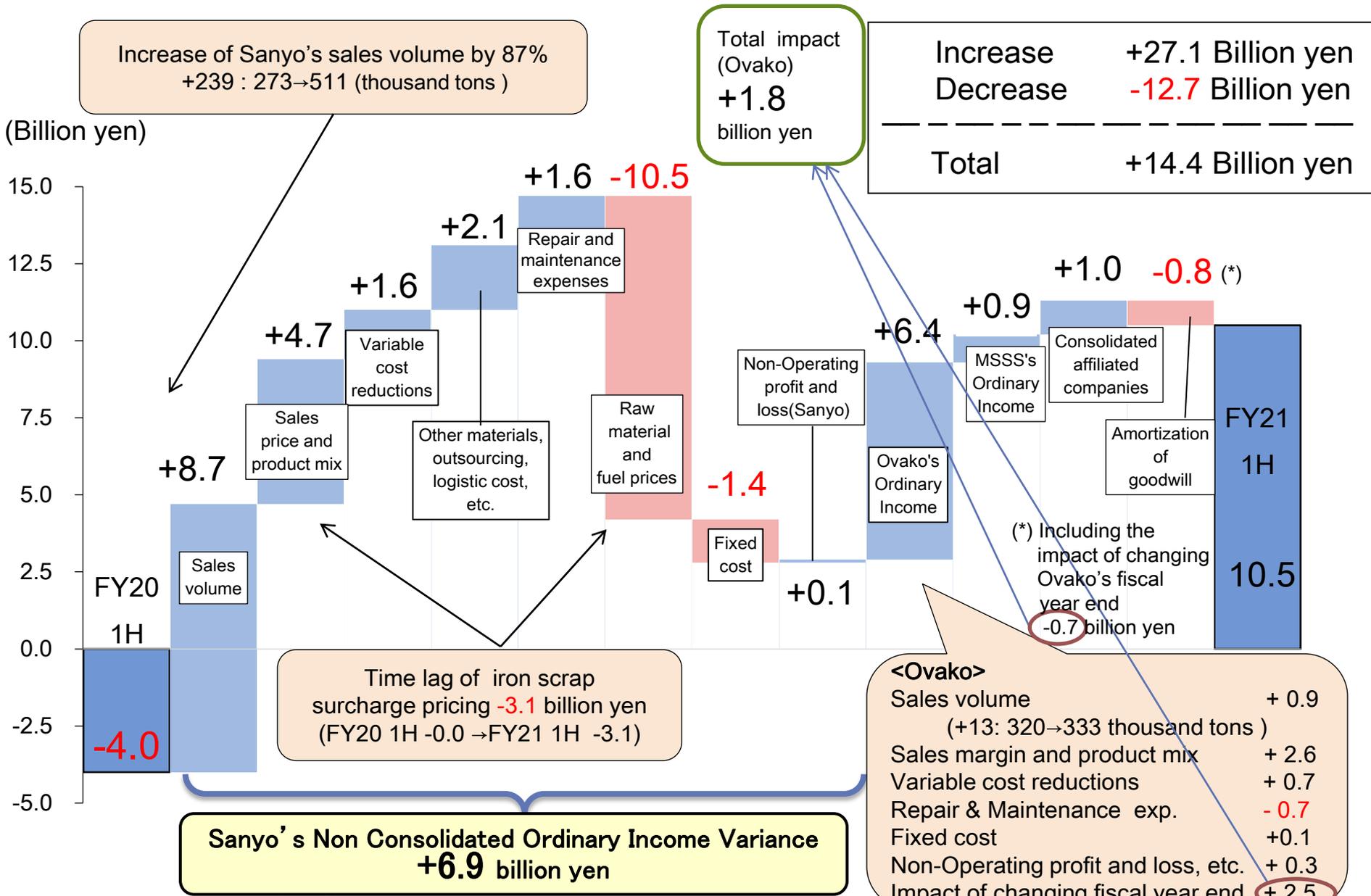
Net Sales and Income (quarterly)

Sales volume 【Sanyo】 FY21/1Q(Apr.–Jun.); increased due to recovering demand.
 FY21/2Q(Jul.–Sep.); decreased due to summer outage.
 【Ovako】 FY21/1Q(Jan.–Jun.); increased due to recovering demand and changing the fiscal year end.
 FY21/2Q(Jul.–Sep.); decreased due to summer outage.
 【MSSS】 FY21/2Q(Apr.–Jun.); decreased due to halted supply of oxygen triggered by spread of COVID-19.

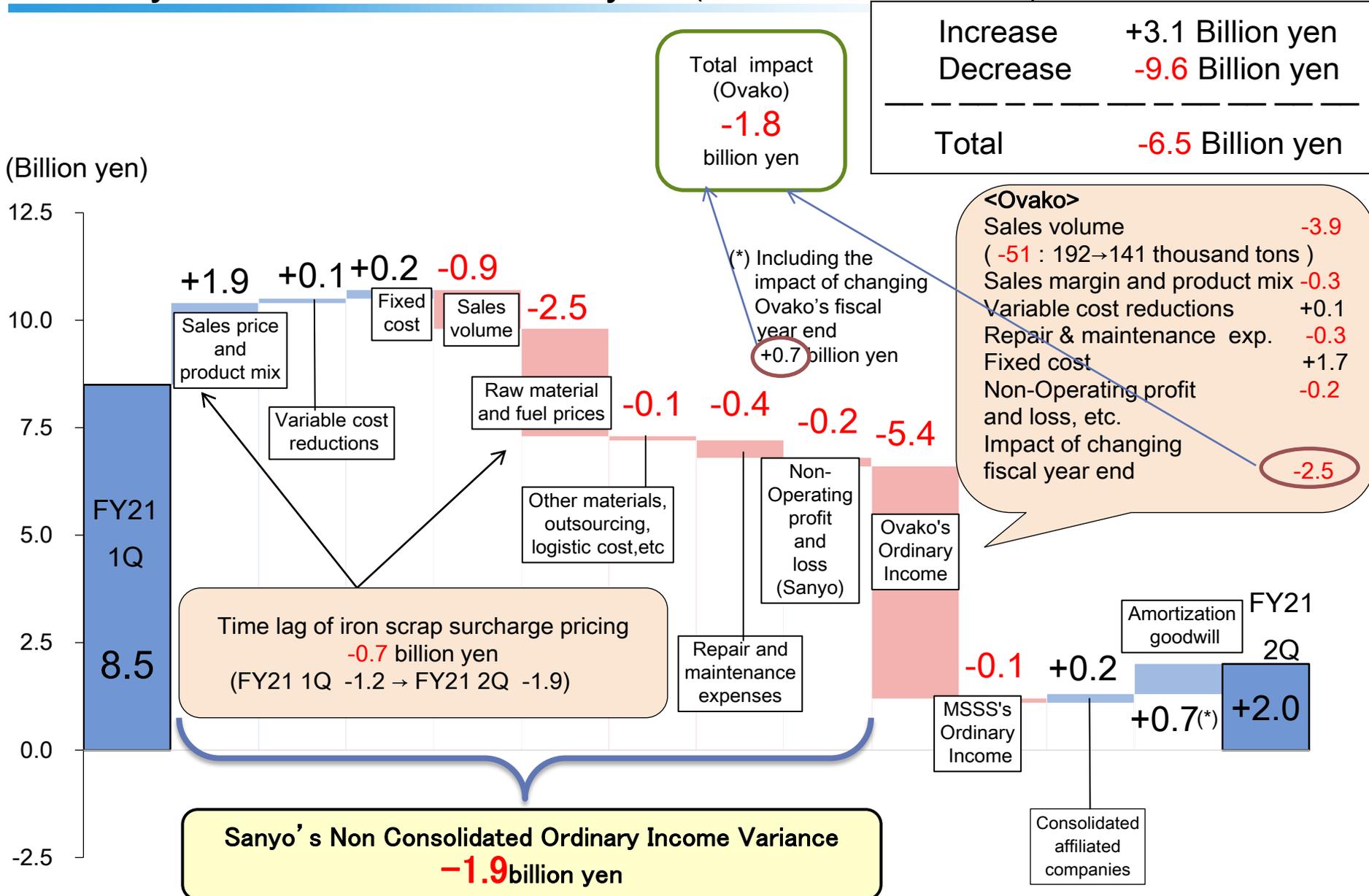
FY21/2Q
 Income has decreased
 mainly due to summer
 outage of Ovako.



Ordinary Income Variance Analysis (FY20/1H → FY21/1H)



Ordinary Income Variance Analysis (FY21/1Q → FY21/2Q)



Earnings by Business Segment

(Unit : Billion yen)

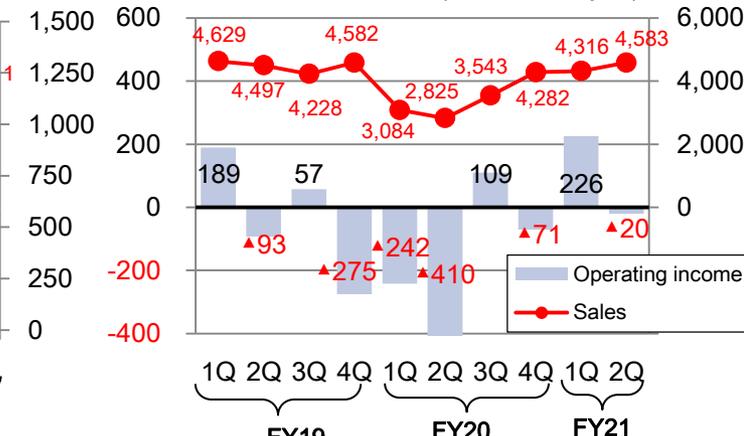
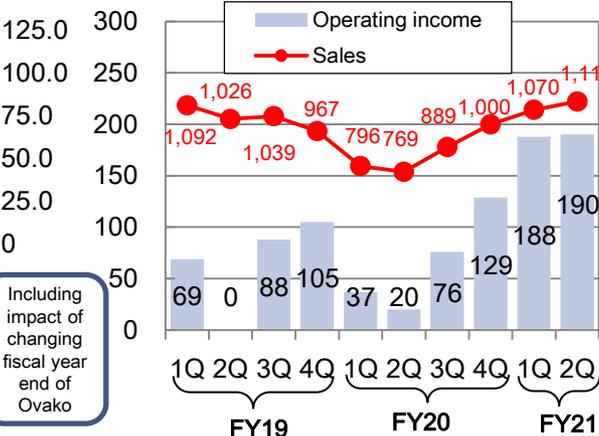
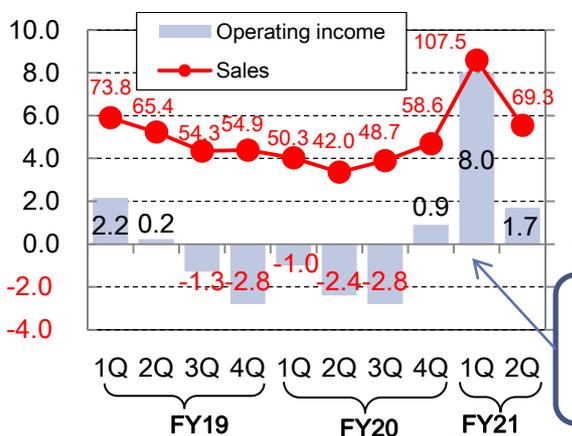
	FY21/1H(A)			FY20/1H(B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	176.7	9.8	5.5	92.3	-3.3	-3.6	+84.4	+13.1	+9.1
Metal Powders	2.2	0.4	17.4	1.6	0.1	3.7	+0.6	+0.3	+13.7
Formed and Fabricated Materials	8.9	0.2	2.3	5.9	-0.7	-11.0	+3.0	+0.9	+13.3
Sub-total	187.8	10.4	5.5	99.8	-3.9	-3.9	+88.0	+14.3	+9.4
Other	0.5	-0.0	-0.0	0.7	0.0	2.8	-0.2	-0.0	-2.8
Adjustments	-5.0	0.0	-	-3.4	0.0	-	-1.6	+0.0	-
Consolidated Total	183.3	10.4	5.7	97.2	-3.9	-4.0	+86.1	+14.3	+9.7

Change in Business Segment

Steel Products(unit: billion yen)

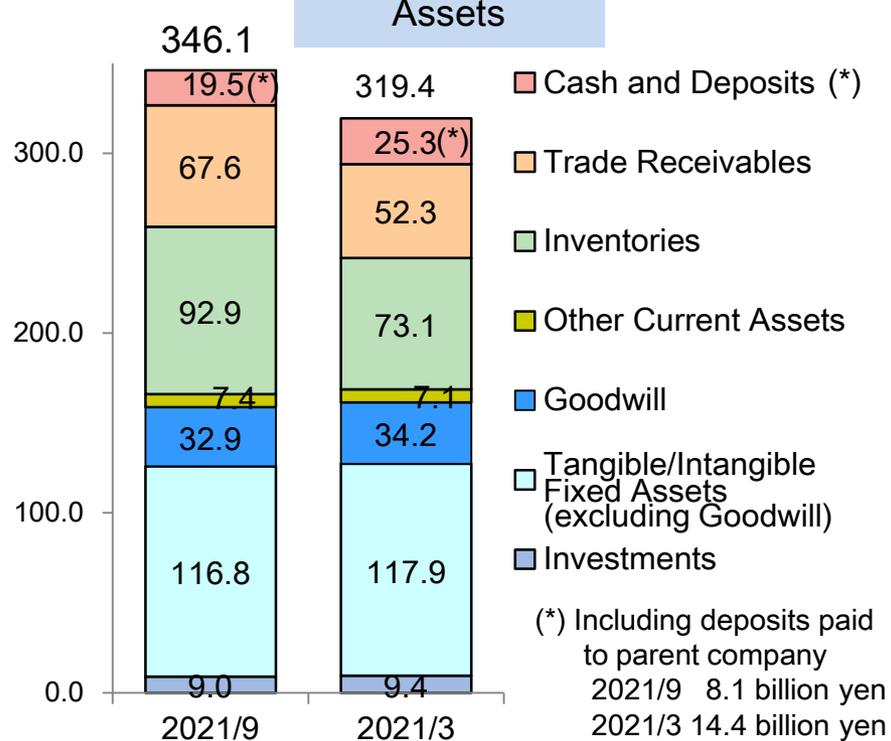
Metal Powders(unit: million yen)

Formed and Fabricated Materials
(unit: million yen)

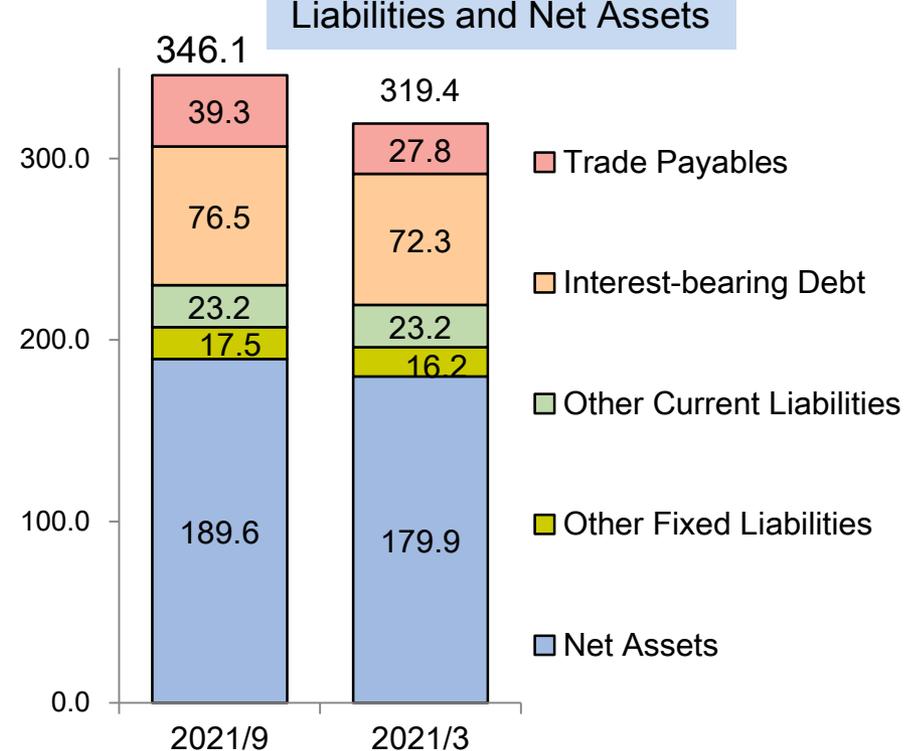


Balance Sheets

(Billion yen)



(Billion yen)



Major changes in Assets + 26.8 billion yen (+8%)

Cash and Deposits	- 5.9
Trade Receivables	+ 15.2
Inventories	+ 19.8
Goodwill	- 1.2
(amortization -2.0, foreign exchange impact +0.8)	

Major changes in Liabilities and Net Assets + 26.8 billion yen (+8%)

Trade Payables	+ 11.5
Interest-bearing Debt	+ 4.2
Net Assets	+ 9.7

(Reference) Assets of Sanyo, Ovako and MSSS (non consolidated basis)

Sanyo 256.4 billion yen, Ovako 104.0 billion yen, MSSS 9.8 billion yen

Equity Ratio	2021/9	2021/3
	54.3%	55.9%

Statements of Cash Flows

(Unit : Billion yen)

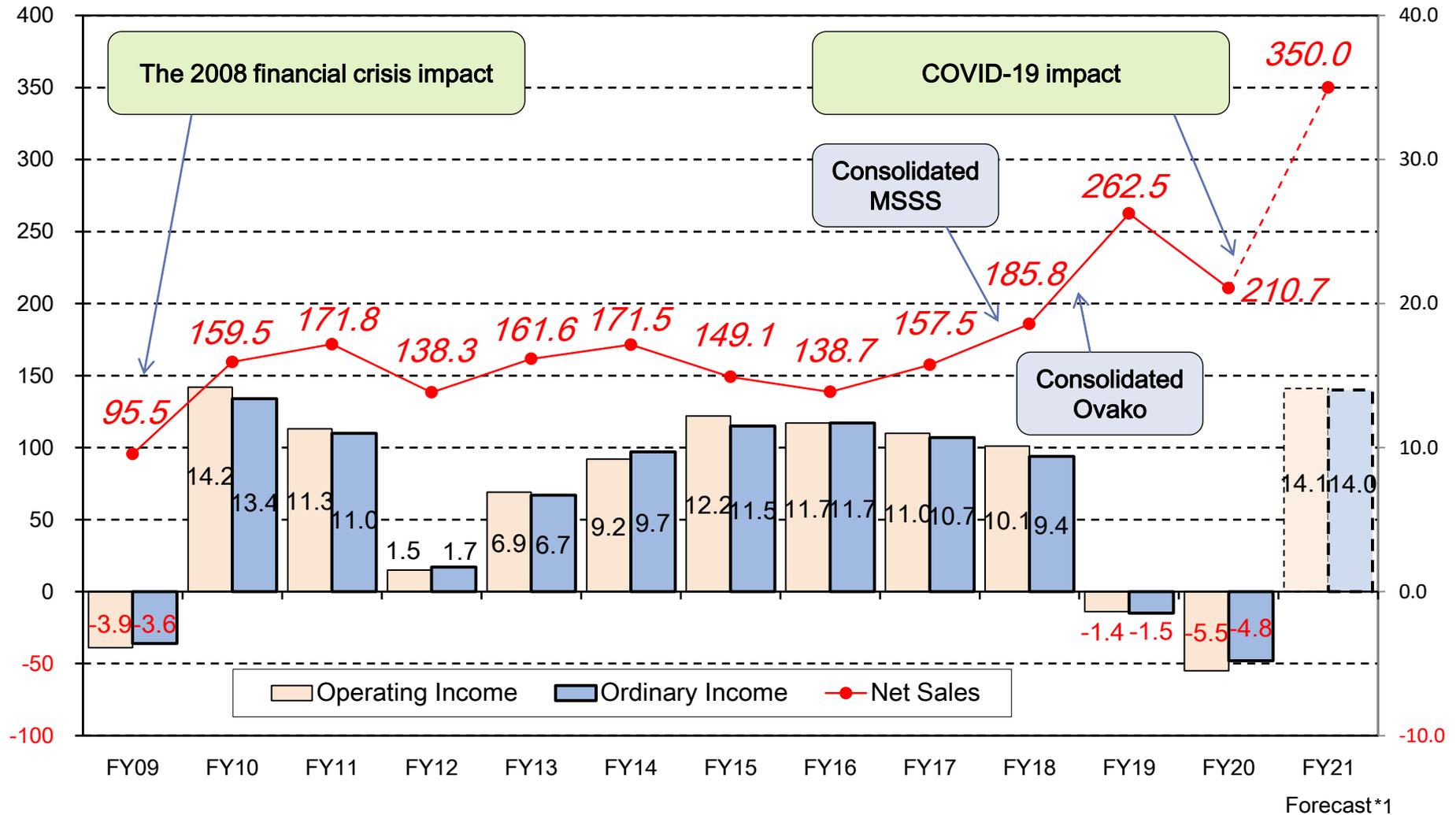
	FY19 1H	FY19 2H	FY20 1H	FY20 2H	FY21 1H
Cash flows from operating activities (A)	16.4	23.1	17.1	5.2	0.2
Net income before income taxes	2.1	-5.4	-4.1	-5.4	10.5
EBITDA (simplified method)	10.9 { 2.1 8.8	5.1 { -5.4 10.5	4.0 { -4.1 8.1	7.2 { -5.4 12.6	21.3 { 10.5 10.8
Depreciation & Amortization of goodwill	8.8	10.5	8.1	12.6	10.8
Income taxes	-1.9	-2.3	1.3	-0.0	-0.3
Working capital, etc.	7.4	20.3	11.8	-2.0	-20.7
Cash flows from investing activities (B)	-1.0	-11.4	-14.1	-5.3	-8.7
Capital expenditure	-6.6	-11.7	-13.9	-5.0	-8.7
Proceeds from sale of securities	1.1	1.0	-	0.3	0.6
Others	4.4	-0.8	-0.2	-0.6	-0.6
Free cash flows (A+B)	15.3	11.6	3.0	-0.1	-8.5
Cash flows from financing activities (C)	-17.2	-3.9	1.8	-7.3	2.2
Increase/Decrease in borrowings/bonds/commercial papers /lease obligations	-12.8	-3.5	1.8	-7.3	2.2
Purchases or Sales of treasury shares	-3.0	0.5	-0.0	-0.0	-0.0
Cash dividends	-1.4	-0.9	-0.0	-0.0	-0.0
Others	-0.0	-0.0	-0.0	-0.0	-0.0
Translation Difference (D)	-0.6	0.2	-0.4	+0.6	0.3
Net Increase/Decrease in Cash and cash equivalents (A+B+C+D)	-2.4	7.9	4.4	-6.8	-6.0

(*) Cash and cash equivalents include deposits paid to affiliated company.

Net Sales and Income (fiscal)

Net Sales
(Billion yen)

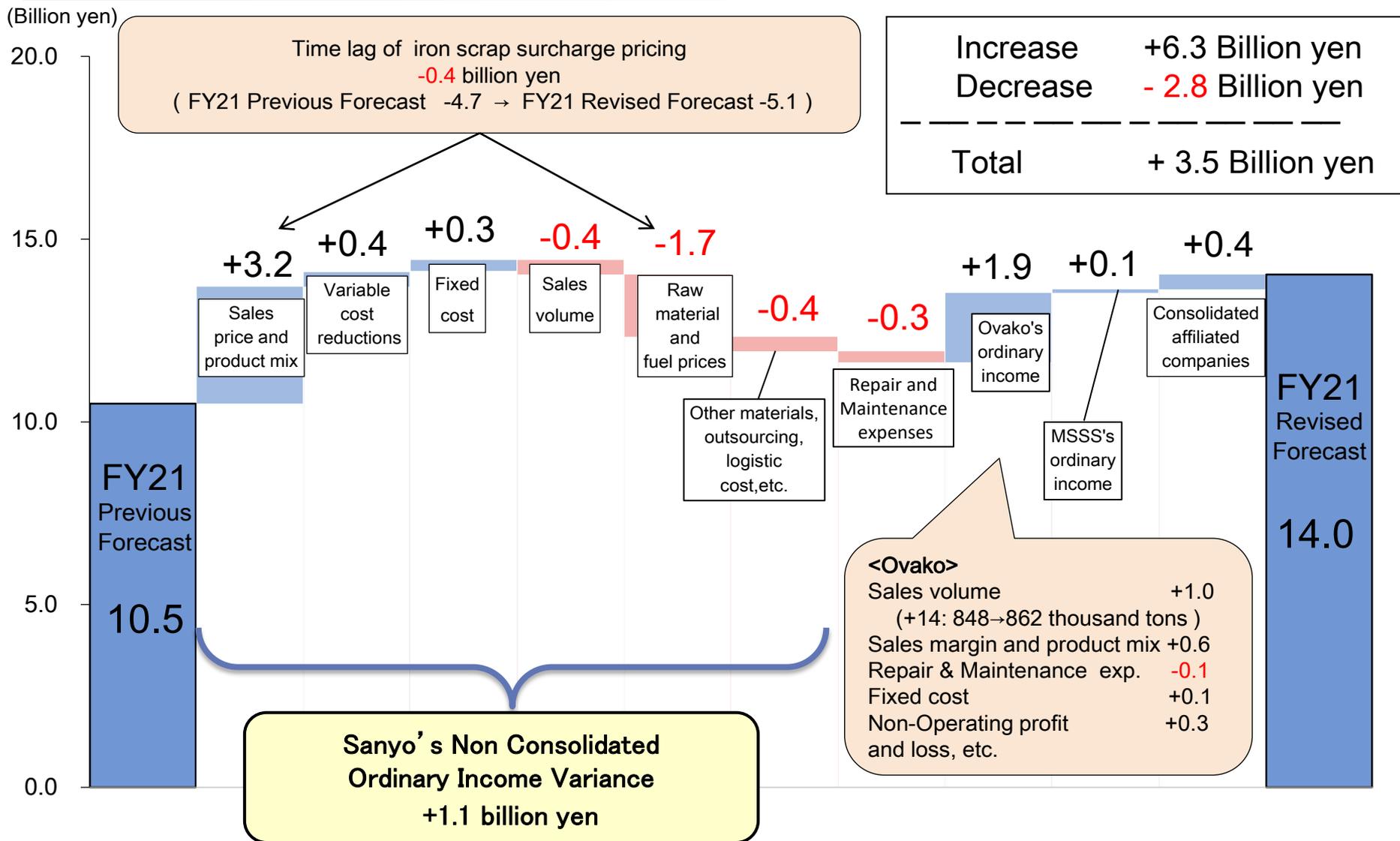
Operating Income
Ordinary Income
(Billion yen)



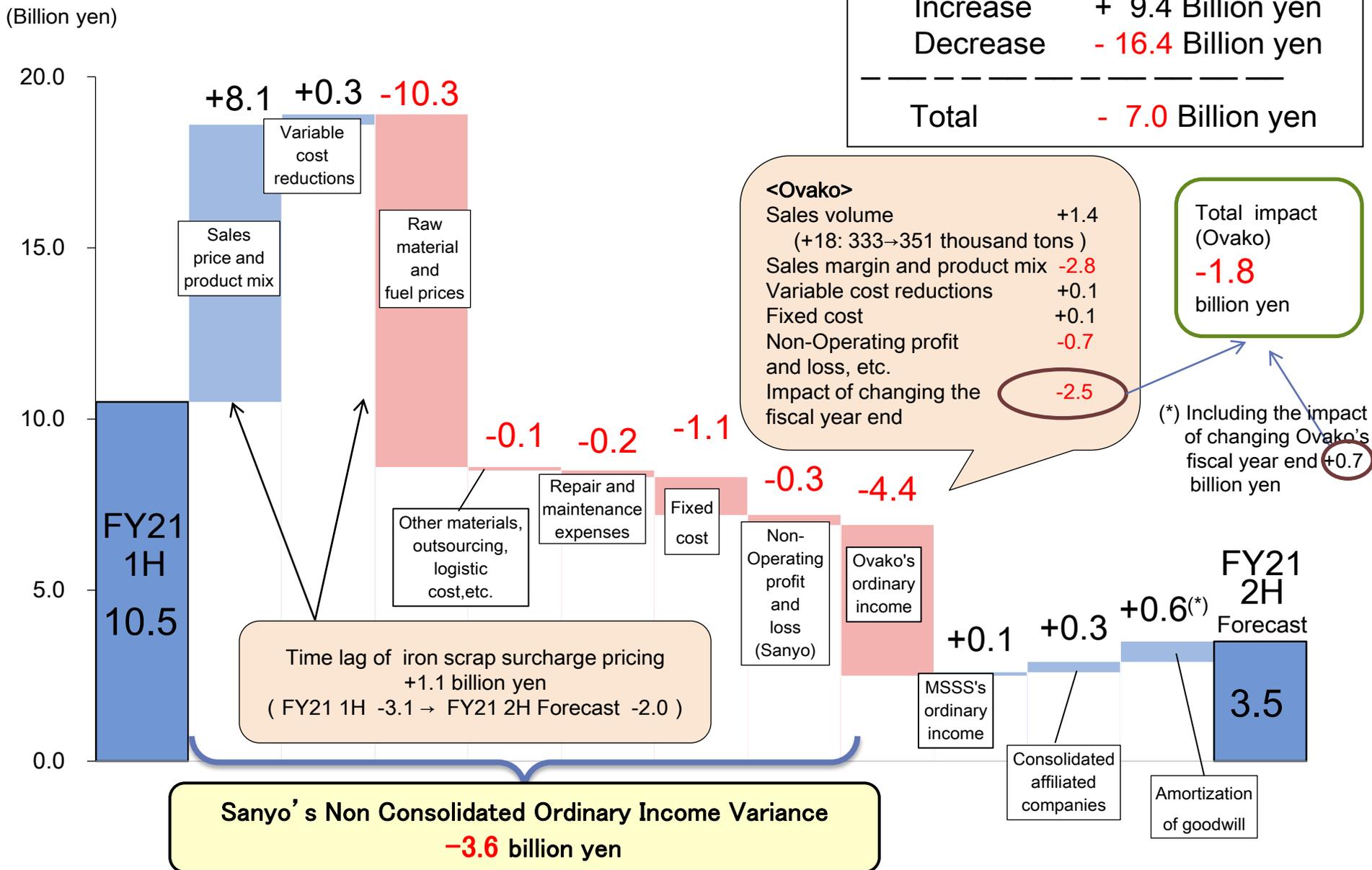
*1 FY21 forecast reflects numbers of Ovako by 15 months from January 2021 to March 2022.

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

Ordinary Income Variance Analysis (FY21 Previous Forecast → FY21 Revised Forecast)



Ordinary Income Variance Analysis (FY21 1H → FY21 2H Revised Forecast)

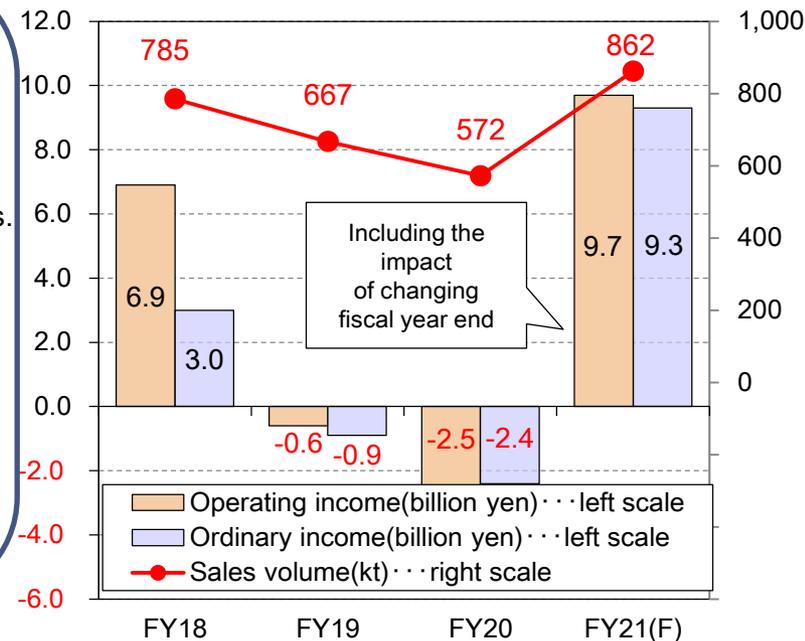


Headquarter : Stockholm, Sweden Manufacture and sale of special steel bars, pipes, rings, etc.
Manufacturing sites in Sweden and Finland. An affiliated company of Sanyo since March 2019.

FY2021 forecast

- Ordinary income(compared to previous forecast)
 - 1H : 6.8 billion yen(+1.2 billion yen)
 - 2H : 2.4 billion yen(+0.6 billion yen)
- Ovako's ordinary income is expected to improve from the previous forecast mainly due to increase of sales volume resulting from demand recovery, improvement of sales margin and promotion of profit improvement measures.
- Despite the effect of summer outage, in 2Q (July-September) Ovako has secured positive operating income for the first time since FY2011 and positive ordinary income for the first time ever.
- Ovako will continue controlling and reducing both variable and fixed cost and securing forecasted results by capturing the strong demand.
- We have changed Ovako's fiscal year end from 31st December to 31st March since FY2021. (Please refer to page 38)

Trend of Operating income, Ordinary income and Sales volume



Profit improvement measures and actions

- Improving profit margin
 - Optimize operation by flexibly balancing capacity between mills in case of high level production
 - Strictly control variable and fixed cost to lower break even point on a continuing basis.
 - Improve the profit margin including the cost increase triggered by the hike of raw material and fuel prices.
- Maximizing synergies among Ovako, Sanyo and Nippon Steel
 - Promote joint sales activities
 - Reduce operational cost
 - Reduce procurement cost

FY2021 forecast

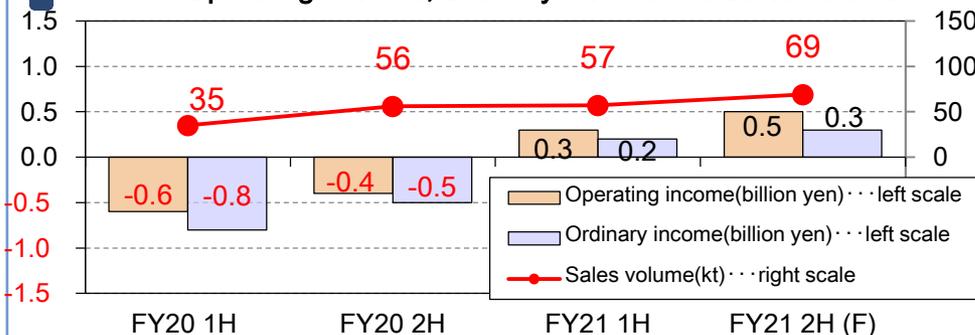
- ▶ MSSS's sales volume has bottomed out in FY20 2Q (Apr.- Jun.) and has been steadily recovering since then. Nevertheless, in April 2021, supply of oxygen was halted due to state order giving priority to oxygen supply to medical institutions, affecting production of MSSS.
- ▶ The supply of oxygen restarted from June 2021, and MSSS's operation has fully recovered from July 2021.
- ▶ Japanese representatives returned to India in August 2021, reflecting the alleviating situation of COVID-19 infections.

- ▶ Ordinary income (compared to previous forecast)
 1H : 0.2 billion yen (±0.0 billion yen)
 2H : 0.3 billion yen (+0.2 billion yen)
- ▶ Ordinary income in FY21 1H (Jan.-Jun.) was positive, due to improved sales margin and product mix, though the sales volume decreased due to halting supply of oxygen in FY21 2Q (Apr.-Jun.)
- ▶ In FY21 2H (Jul.-Dec.), MSSS will further improve sales margin and product mix, despite the impact of heavy rain disaster in July 2021.
- ▶ MSSS will further enhance its position in the Indian market by improving sales mix and cost-competitiveness to further secure returns.

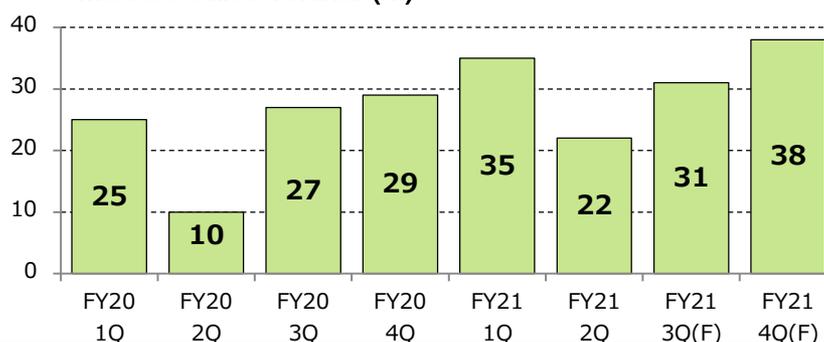
Profit improvement measures and actions

- Upgrading sales strategy and mix
 Executing sales strategy further reflecting MSSS's 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
 Controlling labor cost, even in an inflationary environment, including optimization of manning,

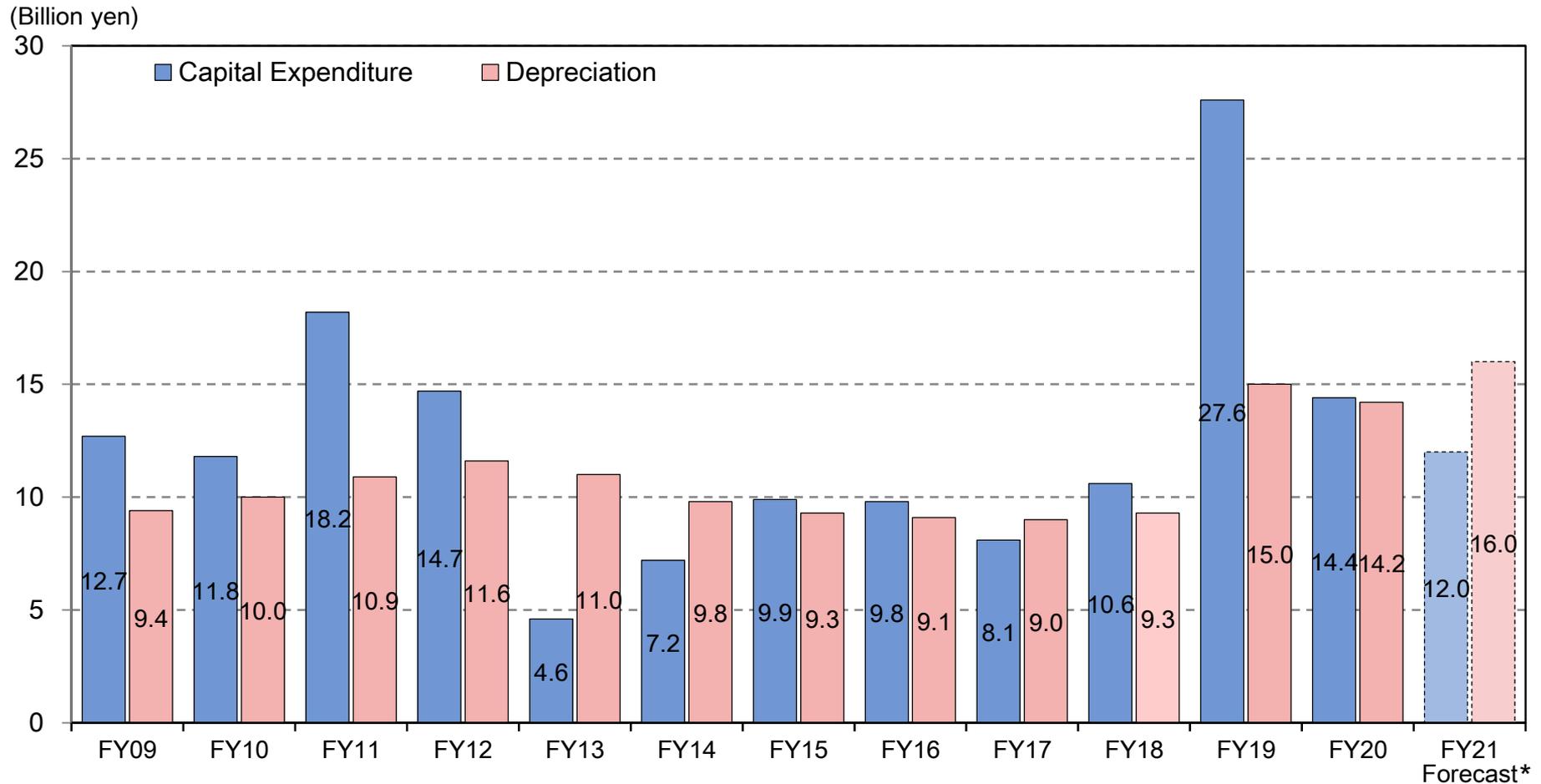
Trend of Operating income, Ordinary income and Sales volume



MSSS's sales volume (kt)



Capital Expenditure and Depreciation



*Capital Expenditure of 12.0 billion yen in FY21 forecast includes

1) 5.0 billion yen for Sanyo, 2) 5.9 billion yen for Ovako, 3) 0.7 billion yen for MSSS.

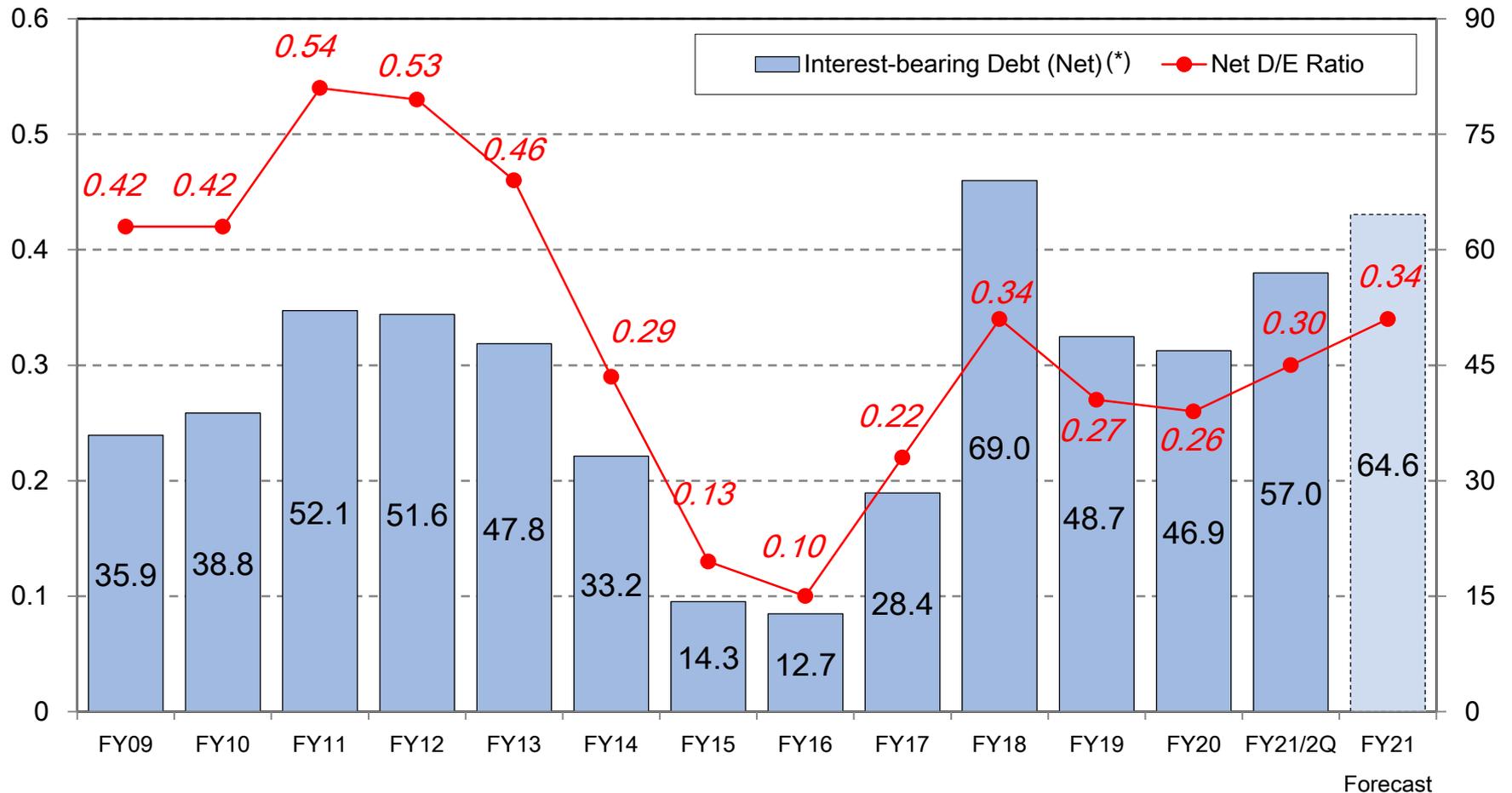
Depreciation of 16.0 billion yen in FY21 forecast includes

1) 8.0 billion yen for Sanyo, 2) 7.2 billion yen for Ovako, 3) 0.0 billion yen for MSSS.

D/E Ratio

Net D/E ratio
(Times)

Interest-bearing Debt
(Billion yen)



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

5. Topics

Topics

(1) "Corporate Health Management Promotion" (announced on August 18, 2021)

- ✓ Continue developing healthier working environment for all employees.
- ✓ Establish a Corporate Health Management Promotion System.
- ✓ Promote corporate health management in cooperation with the Corporate Health Insurance.

Corporate Health Insurance



ESG

General Safety and Health Promotion Council

【 Promotion System 】

(2) Exhibiting at the Next Generation Additive Manufacturing Expo (October 6-8, 2021)

Exhibits by Sanyo :

- ✓ New Copper Alloy Powder ideal for Laser Additive Manufacturing
- ✓ Cobalt-free Maraging Steel Powder.
- ✓ Softmagnetic Metal Powders
(Flaky powder for electromagnetic wave absorber etc.)
- ✓ High functionality Gas Atomized Metal Powder

Others



6. Reference

Change in the fiscal year end of Ovako

(1) Outline

We have changed the fiscal year end of Ovako from 31st December to 31st March from FY2021. Consequently, Ovako's FY2021 will be a fifteen-month fiscal year from 1st January, 2021.

(2) Impact of change

In our consolidated financial statements, Ovako's profit and loss from January to March 2021 will be **"the impact of changing the fiscal year end of Ovako"**.

The impact on consolidated ordinary income will be **1.8 billion yen**.

(Ovako's ordinary income of 2.5 billion yen and amortization of goodwill of -0.7 billion yen)

FY2020				FY2021				
January to December 2020				January 2021 to March 2022				
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
'20Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.	'21Jan. to Mar.	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.	'22Jan. to Mar.

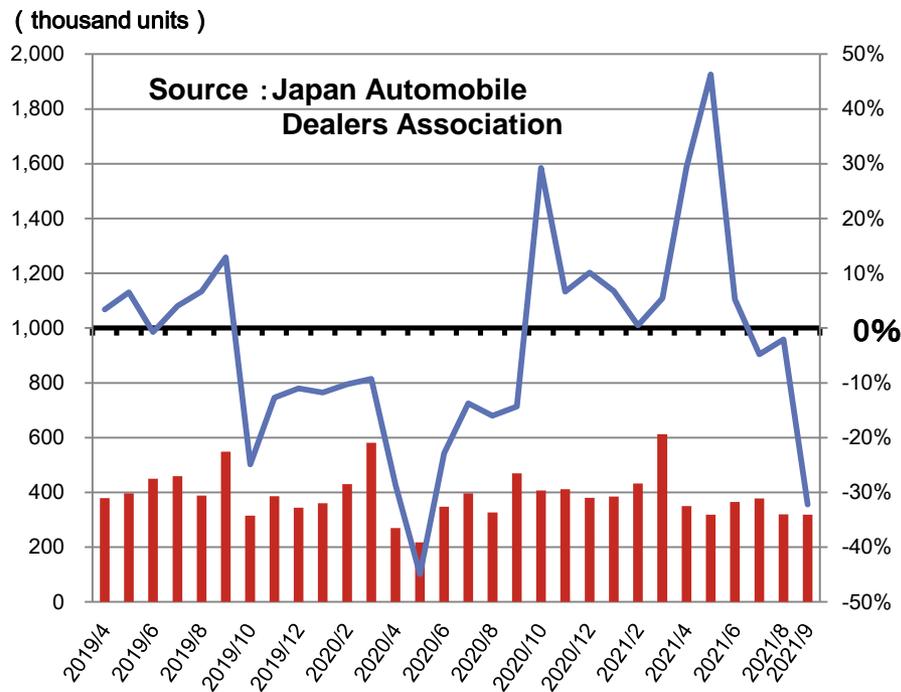
Impact of change

(3) Reason for change

Business results of Ovako, as well as other overseas affiliated companies, have been consolidated with a three months time lag. Since Ovako has a significant impact on the consolidated business results (Ovako's sales are about 80% of Sanyo non-consolidated sales), we decided to synchronize Ovako's fiscal year end with that of Sanyo, to provide a more streamlined and accurate business perspective to all our stakeholders.

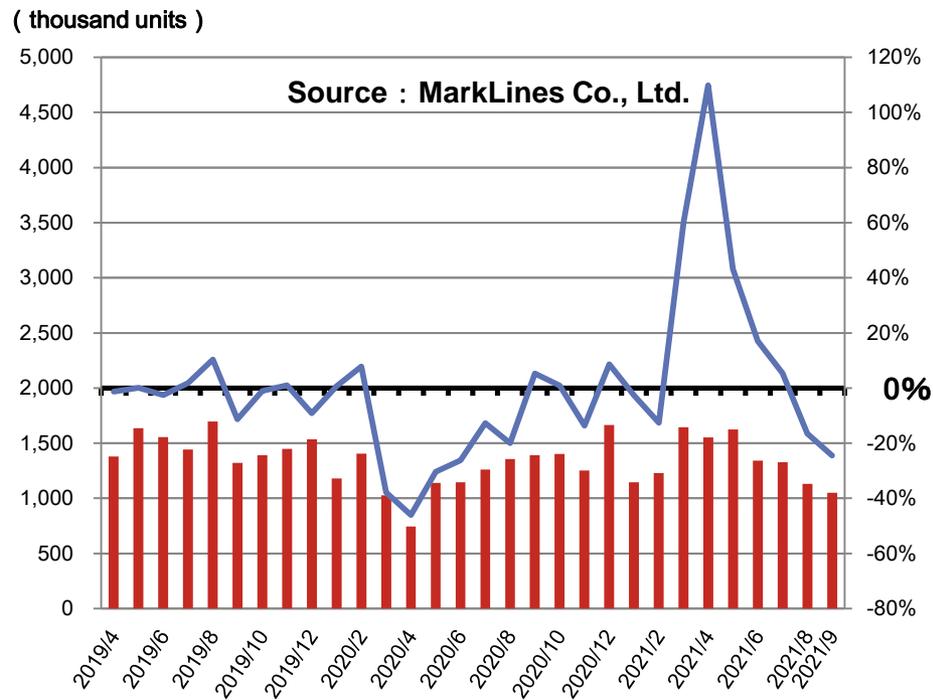
Trends in Automobile Market

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



2020/5 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
 2021/5 ; +46.3% on YoY basis because of the significant decline of 2020/5 due to COVID-19 impact
 2021/9 ; -32.2% on YoY basis

Units of automobile sales in U.S. (Year-on-year rate)



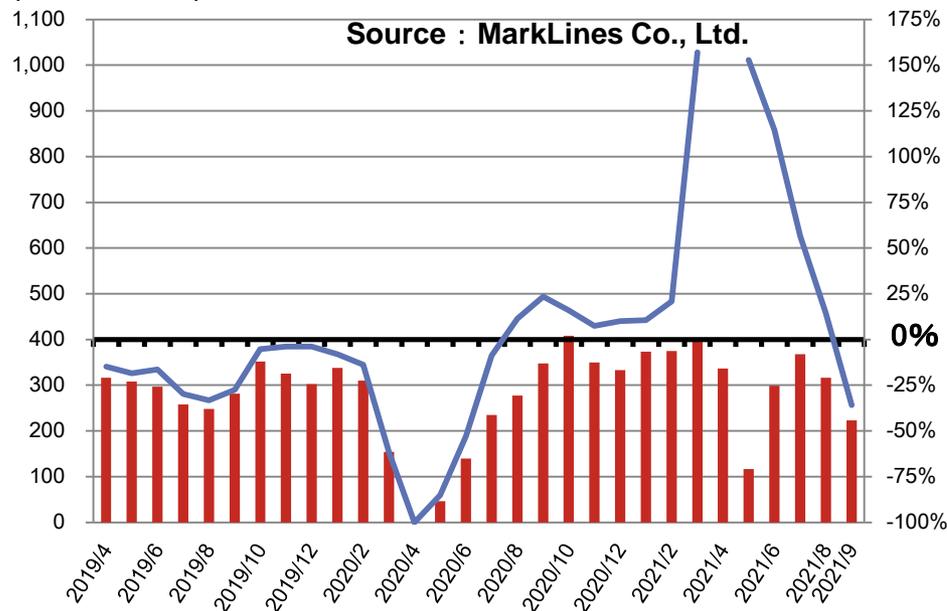
2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
 2021/4 ; +108.6% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
 2021/9 ; -24.5% on YoY basis

Trends in Automobile Market

Units of automobile sales in India

(Year-on-year rate)

(thousand units)



2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact

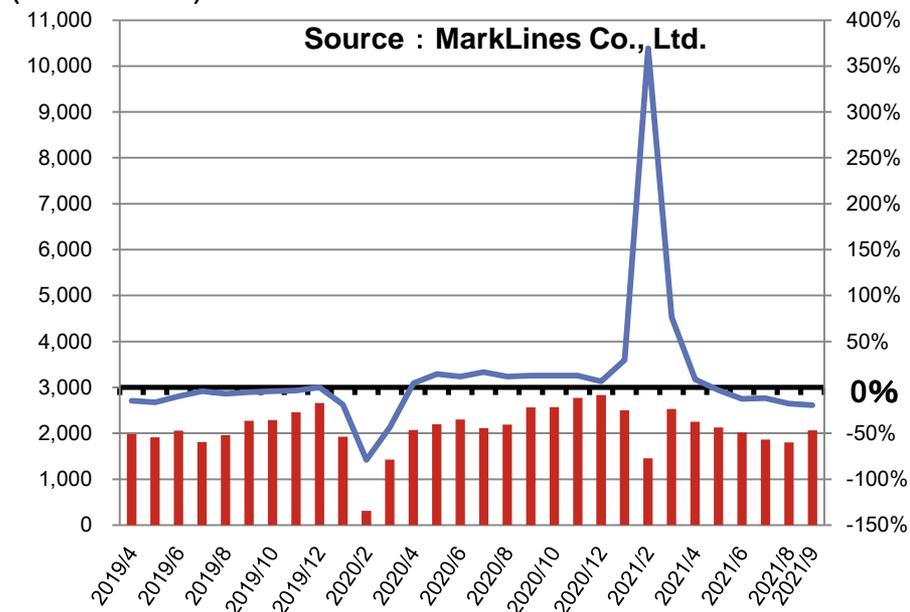
2021/5 ; sales decrease resulting from re-expansion of COVID-19

2021/9 ; -35.9% on YoY basis

Units of automobile sales in China (Factory shipment base)

(Year-on-year rate)

(thousand units)



2020/2~ ; bottomed out and easing decline of sales due to COVID-19 impact

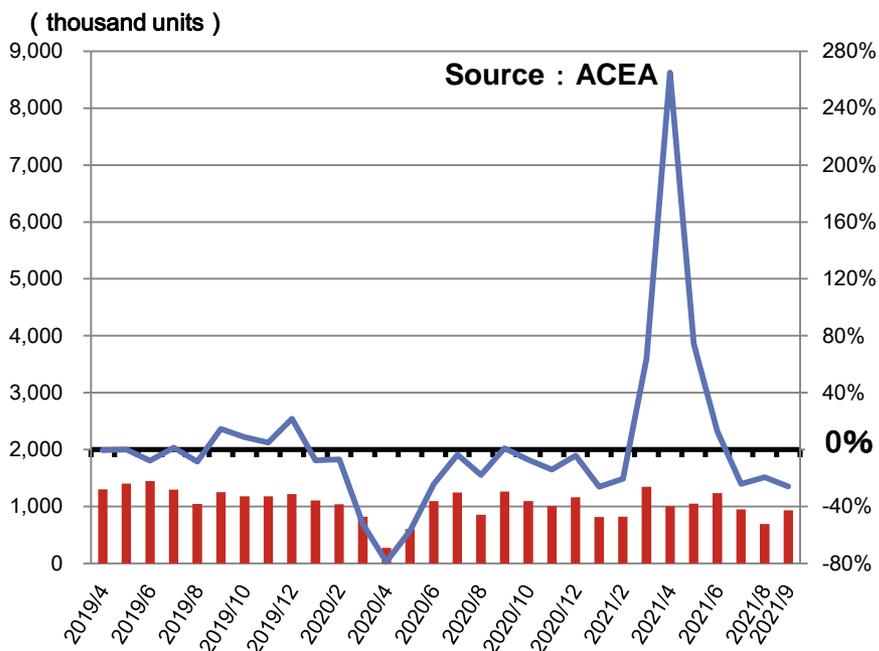
2021/6 ; -12.4% on YoY basis because of decrease in automobile productions due to a short supply of semiconductors

2021/9 ; -19.4% on YoY basis

Trends in Automobile Market

Units of automobile sales in Europe

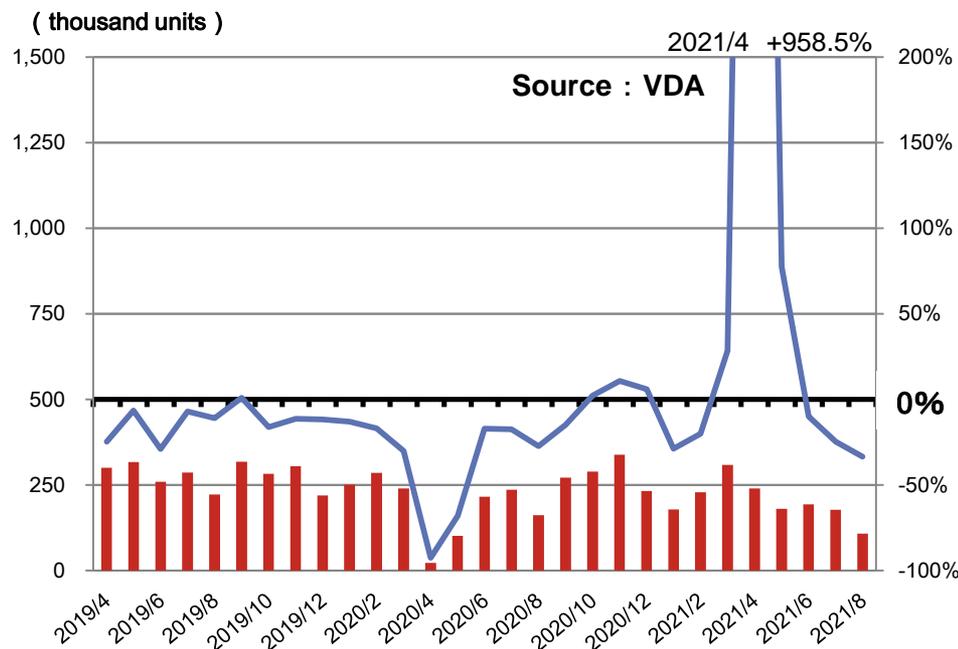
(Year-on-year rate)



2020/4~ ; bottomed out and easing decline of sales due to COVID-19 impact
 2021/4 ; +265.0% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
 2021/9 ; -26.0% on YoY basis

Units of automobile export from Germany

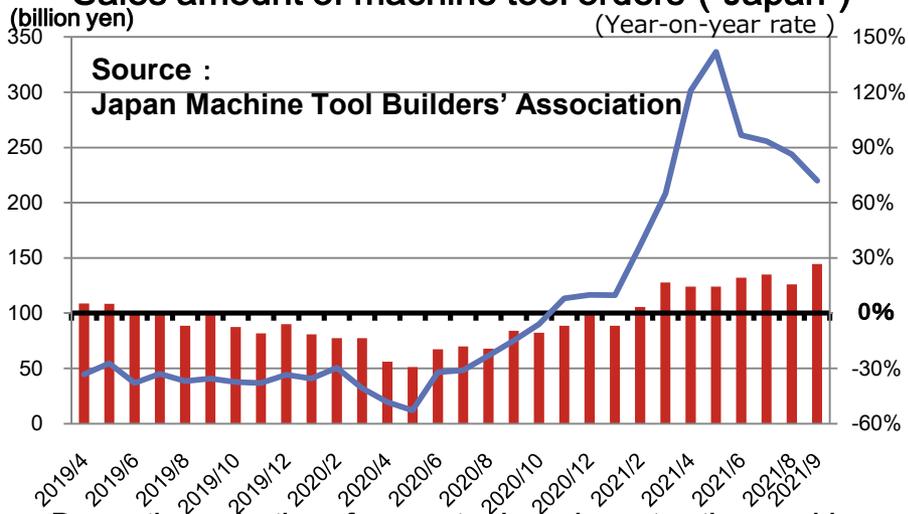
(Year-on-year rate)



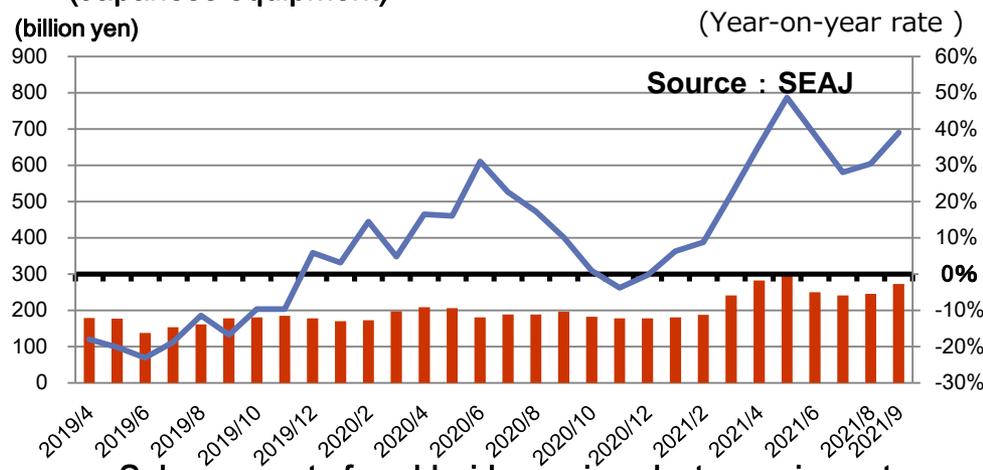
2020/4 ~ ; bottomed out and easing decline of export due to COVID-19 impact
 2021/4 ; +958.5% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
 2021/8 ; -33.4% on YoY basis

Trends in Industrial Machinery and Construction Machinery Market

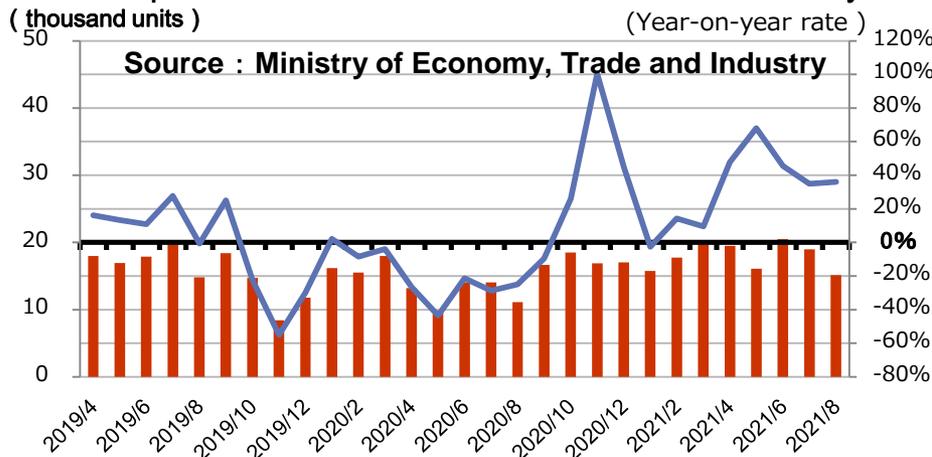
Sales amount of machine tool orders (Japan)



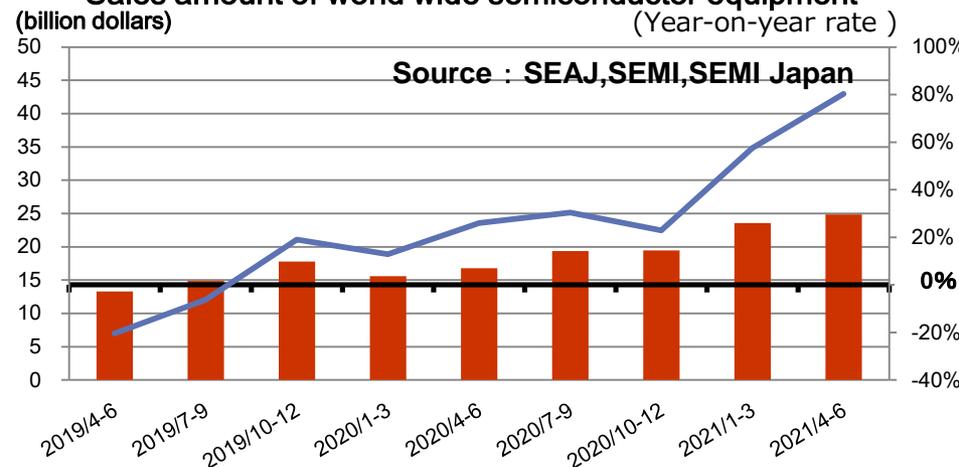
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery (thousand units)



Sales amount of world wide semiconductor equipment



Machine tools 2020/5 ; -53% on YoY basis due to COVID-19 impact
2021/9; recovery to +71.9% on YoY basis

Semiconductor equipment 2020/7~; drop due to U.S.-China trade dispute & 2020/12 ~ ; recovery due to increase of 5G and global shortage of semiconductor & 2021/9 ; +39.0% on YoY basis

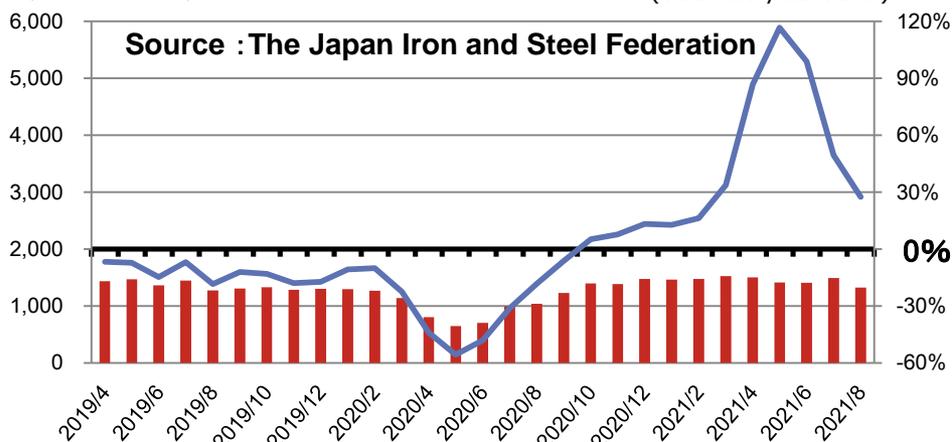
Construction machinery 2020/2~ continuous drop due to COVID-19 impact & 2020/10~; recovery of demand in China and Europe & 2021/8 ; +36.1% on YoY basis

Trends in Special Steel Market

Volume of order booked (Specialty steel products)

(thousand tons)

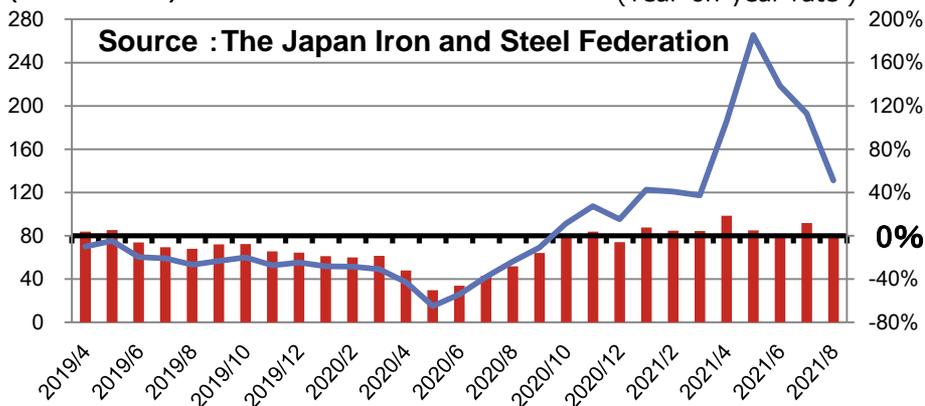
(Year-on-year rate)



Volume of order booked (Bearing steel products)

(thousand tons)

(Year-on-year rate)



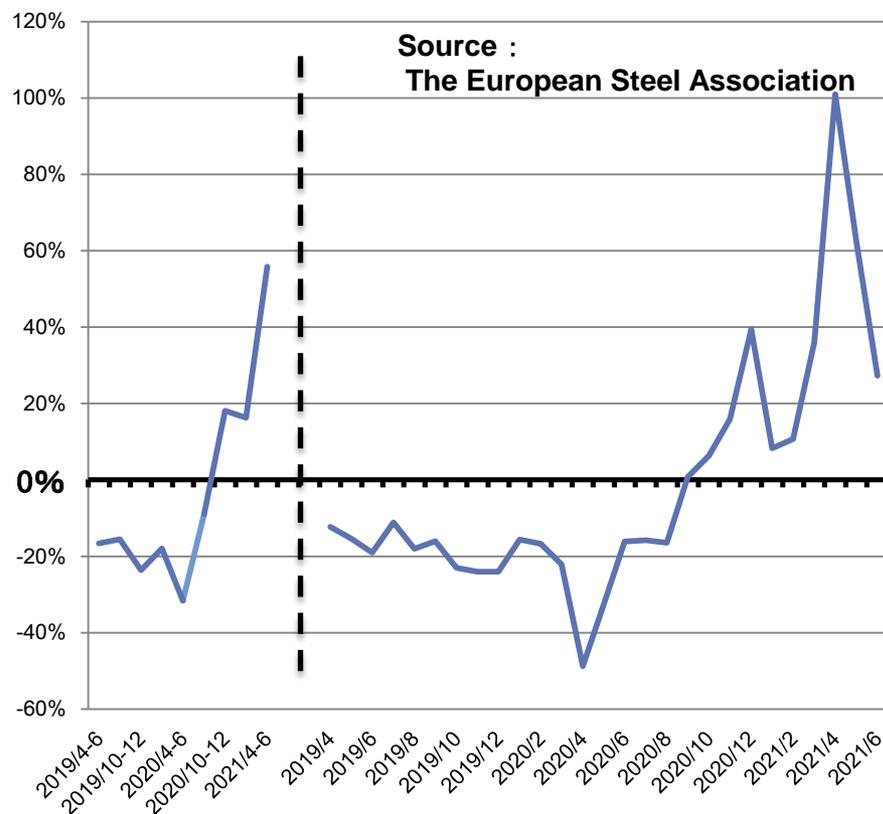
Bearing steel

2020/5~ ; bottomed out and easing decline of sales due to COVID-19 impact

2021/8 ; +51.1% on YoY basis

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

(Year-on-year rate)

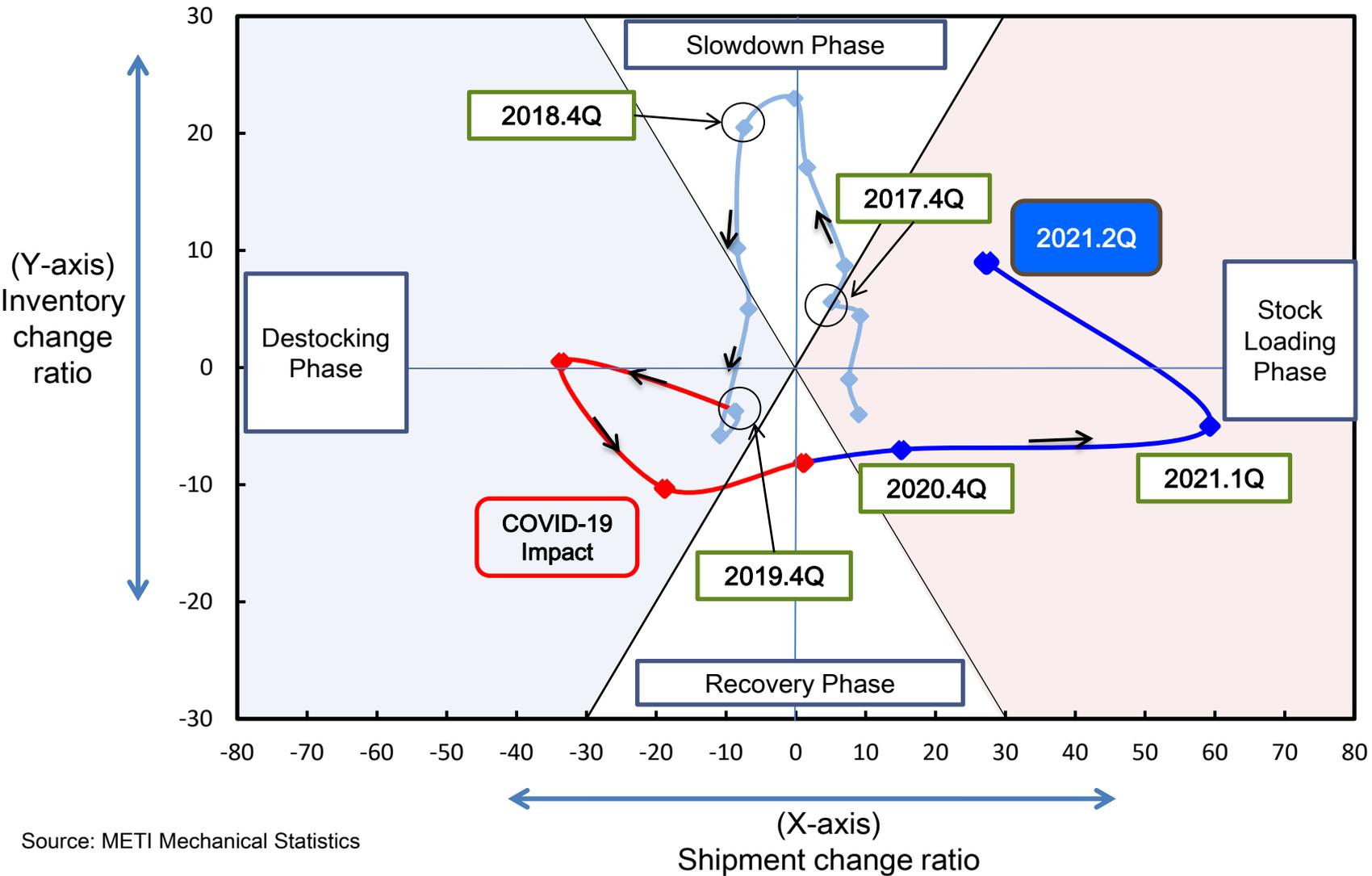


2020/4~ ; bottomed out and easing decline due to recovery of deliveries

2021/4 ; +101% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact

2021/6 ; +27.3% on YoY basis

Inventory Circulation Diagram (Bearing Products)



Source: METI Mechanical Statistics

Details of Statements of Income

Reference

(FY21 Revised Forecast vs. FY21 Previous Forecast)

(Unit : Thousand tons, Billion yen, yen per share, %)

	FY21 1H(A)	FY21 2H(B) Forecast	FY21 (C=A+B)	FY21 1H(D) Previous Forecast	FY21 2H(E) Previous Forecast	FY21 (F) Previous Forecast	Change (F) → (C)
Sales Volume	1,079	930	2,009	1,087	926	2,013	-4
(Sanyo)	511	510	1,021	522	510	1,032	-11
(Ovako) *1	511	351	862	508	340	848	+14
(MSSS) *2	57	69	126	57	76	132	-6
Net Sales	183.3	166.7	350.0	182.0	163.0	345.0	+5.0
(Sanyo)	79.6	89.5	169.0	80.5	86.3	166.8	+2.2
(Ovako)	93.0	60.6	153.6	89.1	59.7	148.8	+4.8
(MSSS)	7.7	10.1	17.8	7.7	10.5	18.2	-0.4
Operating Income	10.4	3.7	14.1	8.7	2.2	10.9	+3.2
(Sanyo)	4.8	1.5	6.3	4.1	1.2	5.3	+1.0
(Ovako)	7.0	2.7	9.7	6.0	2.0	8.0	+1.7
(MSSS)	0.3	0.5	0.8	0.3	0.3	0.6	+0.2
(Amortization of goodwill) *1	-2.0	-1.4	-3.4	-2.0	-1.3	-3.3	-0.1
Ordinary Income	10.5	3.5	14.0	8.5	2.0	10.5	+3.5
(Sanyo)	5.2	1.6	6.8	4.4	1.3	5.7	+1.1
(Ovako)	6.8	2.4	9.3	5.6	1.8	7.4	+1.9
(MSSS)	0.2	0.3	0.4	0.2	0.1	0.3	+0.1
(Amortization of goodwill)	-2.0	-1.4	-3.4	-2.0	-1.3	-3.3	-0.1
Net Income *3	7.3	1.8	9.1	6.1	1.0	7.1	+2.0
Earnings Per Share	133.8		167.0	112.0		130.3	+36.7
Operating Income before amortization of goodwill	12.4	5.1	17.5	10.7	3.5	14.2	+3.3
Ordinary Income before amortization of goodwill	12.5	4.9	17.4	10.5	3.3	13.8	+3.6
Net Income before amortization of goodwill	9.3	3.2	12.5	8.1	2.3	10.4	+2.1
Earnings Per Share before amortization of goodwill	170.8		229.4	148.7		190.9	+38.5

*1 The consolidated accounting periods for Ovako including Amortization of goodwill are as follows, FY2021:15 months(Jan. 2021 to Mar. 2022), FY2021 1H : 9 months (Jan. 2021 to Sep. 2021), FY2021 2H : 6 months(Oct. 2021 to Mar. 2022) *2 The consolidated accounting period for MSSS is Jan. to Dec. *3 Profit attributable to owners of parent

Details of Statements of Income

Reference

(FY21 Revised Forecast vs. FY20)

(Unit : Thousand tons, Billion yen, yen per share,%)

	FY21 1H(A)	FY21 2H(B) Forecast	FY21 (C=A+B)	FY20 1H(D)	FY20 2H(E)	FY20 (F=D+E)	Change (F) → (C)
Sales Volume	1,079	930	2,009	627	740	1,367	+642
(Sanyo)	511	510	1,021	273	432	704	+317
(Ovako) *1	511	351	862	320	252	572	+290
(MSSS) *2	57	69	126	35	56	91	+35
Net Sales	183.3	166.7	350.0	97.2	113.6	210.7	+139.3
(Sanyo)	79.6	89.5	169.0	42.8	60.9	103.6	+65.4
(Ovako)	93.0	60.6	153.6	46.9	42.7	89.7	+63.9
(MSSS)	7.7	10.1	17.8	4.1	6.2	10.3	+7.5
Operating Income	10.4	3.7	14.1	-3.9	-1.6	-5.5	+19.6
(Sanyo)	4.8	1.5	6.3	-2.0	3.7	1.7	+4.6
(Ovako)	7.0	2.7	9.7	0.6	-3.1	-2.5	+12.2
(MSSS)	0.3	0.5	0.8	-0.6	-0.4	-1.0	+1.8
(Amortization of goodwill) *1	-2.0	-1.4	-3.4	-1.2	-1.4	-2.6	-0.8
Ordinary Income	10.5	3.5	14.0	-4.0	-0.8	-4.8	+18.8
(Sanyo)	5.2	1.6	6.8	-1.7	3.9	2.2	+4.6
(Ovako)	6.8	2.4	9.3	0.4	-2.8	-2.4	+11.7
(MSSS)	0.2	0.3	0.4	-0.8	-0.5	-1.3	+1.7
(Amortization of goodwill)	-2.0	-1.4	-3.4	-1.2	-1.4	-2.6	-0.8
Net Income *3	7.3	1.8	9.1	-3.3	-3.6	-6.9	+16.0
Earnings Per Share	133.8		167.0	-60.8		-126.1	+293.1
Operating Income before amortization of goodwill	12.4	5.1	17.5	-2.6	-0.2	-2.9	+20.4
Ordinary Income before amortization of goodwill	12.5	4.9	17.4	-2.7	0.6	-2.1	+19.5
Net Income before amortization of goodwill	9.3	3.2	12.5	-2.1	-2.2	-4.2	+16.7
Earnings Per Share before amortization of goodwill	170.8		229.4	-37.9		-78.0	+307.4

*1 The consolidated accounting periods for Ovako including Amortization of goodwill are as follows, FY2021:15 months(Jan. 2021 to Mar. 2022), FY2021 1H : 9 months (Jan. 2021 to Sep. 2021), FY2021 2H : 6 months(Oct. 2021 to Mar. 2022), FY2020: 12 months(Jan. 2020 to Dec. 2020) *2 The consolidated accounting period for MSSS is Jan. to Dec.*3 Profit attributable to owners of parent



SANYO SPECIAL STEEL - the Confident Choice



Santo-kun
(Our mascot)

(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.