

Sanyo Special Steel Co., Ltd.
IR Briefing Regarding the Business Results for the FY2021
Q&A Summary

Date : Thursday, April 28, 2022

Attendees : Katsuhiko Miyamoto, Representative Director and President

Kozo Takahashi, Director, Member of the Board and Managing Executive Officer

Takashi Yatsunami, Executive Officer

** Please be noted that the actual Q&A session was in Japanese and this English translation is prepared for reference purpose only.*

Q . Could you tell us the reason why ordinary income of OVAKO in FY21/4Q has soared?

A . It is due to the fact that the base price negotiations have progressed faster than expected, and due to increasing orders and sales volume, probably triggered by the fact that OVAKO announced to apply energy surcharge from April 2022. Other specialty steel manufacturers in continental Europe, significantly impacted by increased energy costs more than OVAKO, have been very aggressive to increase the price, which was a supportive factor for OVAKO as well.

Q . Could you explain why have you considered the ordinary income for FY2022 to be 14.0 billion yen, though the ordinary income for FY2021 was 21.7 billion yen (19.8 billion yen excluded impact of OVAKO's changing fiscal year end)?

A . We have considered that we must take a more conservative view of ordinary income in FY2022, because of factors including global inflation, Russian invasion into Ukraine and sanctions by various countries against that military aggression, which all may affect the global economy adversely.

Q . OVAKO has moved to carbon neutral in production (hereinafter referred to as CN) from January 2022. How is the customer's reaction for CN steel?

A . OVAKO's climate surcharge has been well received by customers, although so far there has not been any significant increase in sales volume directly correlated with CN. We consider customers will increase their commitment to CN in the future which surely will have a positive effect on OVAKO.

Q . Could you tell us about the demand trends in Europe by industry sector?

A . Demand for automobile has been robust. Delivery timeline for automobile is still long, and we've heard some consumers purchase even lower-specification automobiles using fewer semiconductors. Demand for construction and industrial machinery is stable as well. Nevertheless, we have some cautious view for the future because of uncertain situation reflecting inflation and other matters.

Q . Sanyo has been reaching a phase needed to amend sales price to offset the increase of the raw material and fuel prices. Could you share us the progress of price negotiations?

A . We have started to receive positive understandings from our customers for the raising sales price by 5 thousand yen per ton announced in March. Simultaneously, we already have started to communicate that we may need to amend sales price further upwards. We have no choice but to pass on the increasing costs of raw material and fuel prices to the downstream.

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