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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 31, 2024

Company name: Sanyo Special Steel Co., Ltd.

Listing: Tokyo

Securities code: 5481

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

Representative: MIYAMOTO Katsuhiko

Representative Director and President

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Scheduled date to file semi-annual securities report: November 14, 2024

Scheduled date to commence dividend payments: November 29, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	168,423	(9.1)	3,102	(57.6)	2,631	(66.3)	1,533	(70.7)
Six months ended September 30, 2023	185,250	(5.2)	7,319	(44.4)	7,813	(43.1)	5,235	(47.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 2,758 million [(79.4) %]
Six months ended September 30, 2023: ¥ 13,422 million [(18.5) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	28.15	-
September 30, 2023	96.10	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	387,437	227,224	58.3
March 31, 2024	398,706	228,597	56.9

(Reference) Equity: As of September 30, 2024: ¥ 225,779 million
As of March 31, 2024: ¥ 226,667 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2024	-	35.00	-	30.00	65.00
Fiscal year ending March 31, 2025 (Forecast)	-	20.00	-	50.00	70.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	342,000	(3.3)	13,200	16.1	13,000	7.3	9,500	4.9	174.36

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 54,507,307 shares

March 31, 2024: 54,507,307 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 24,660 shares

March 31, 2024: 23,478 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 54,483,382 shares

Six months ended September 30, 2023: 54,485,188 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

Forecasts and other forward-looking statements are based on judgments made by the Companies in accordance with information currently available. Please be aware that there are various uncertainties inherent in forecasts, and actual results may differ from these forecasts.

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	26,591	20,663
Notes and accounts receivable - trade, and contract assets	59,541	58,152
Electronically recorded monetary claims - operating	13,381	11,047
Merchandise and finished goods	29,862	28,242
Work in process	54,595	54,590
Raw materials and supplies	34,700	33,680
Income taxes refund receivable	390	1,169
Deposits paid to subsidiaries and associates	4,810	7,867
Other	4,996	4,666
Allowance for doubtful accounts	(435)	(419)
Total current assets	228,435	219,660
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	76,132	75,381
Other, net	47,354	48,461
Total property, plant and equipment	123,487	123,842
Intangible assets		
Goodwill	32,954	30,553
Other	4,029	3,905
Total intangible assets	36,984	34,459
Investments and other assets	9,799	9,474
Total non-current assets	170,271	167,776
Total assets	398,706	387,437
Liabilities		
Current liabilities		
Notes and accounts payable - trade	39,357	34,640
Short-term borrowings	54,295	36,895
Commercial papers	-	21,989
Current portion of bonds payable	10,000	10,000
Income taxes payable	4,440	1,301
Provision for bonuses	2,089	2,094
Provision for environmental measures	4	20
Other	26,506	19,456
Total current liabilities	136,694	126,398
Non-current liabilities		
Long-term borrowings	16,300	16,000
Provision for retirement benefits for directors (and other officers)	44	44
Provision for loss on guarantees	1	2
Provision for environmental measures	188	171
Retirement benefit liability	10,398	10,763
Other	6,482	6,833
Total non-current liabilities	33,415	33,814
Total liabilities	170,109	160,213

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	53,800	53,800
Capital surplus	48,827	46,904
Retained earnings	105,724	105,624
Treasury shares	(37)	(39)
Total shareholders' equity	208,315	206,289
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,915	1,359
Deferred gains or losses on hedges	(416)	537
Foreign currency translation adjustment	15,251	16,360
Remeasurements of defined benefit plans	1,602	1,232
Total accumulated other comprehensive income	18,351	19,490
Non-controlling interests	1,930	1,444
Total net assets	228,597	227,224
Total liabilities and net assets	398,706	387,437

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	185,250	168,423
Cost of sales	159,055	145,178
Gross profit	26,194	23,245
Selling, general and administrative expenses	18,875	20,143
Operating profit	7,319	3,102
Non-operating income		
Interest income	379	320
Dividend income	98	73
Foreign exchange gains	492	-
Rental income	150	211
Power supply and demand adjustment cooperation fund	433	186
Income from supplying data	-	432
Other	179	164
Total non-operating income	1,733	1,389
Non-operating expenses		
Interest expenses	1,043	1,189
Foreign exchange losses	-	499
Other	195	170
Total non-operating expenses	1,239	1,859
Ordinary profit	7,813	2,631
Extraordinary income		
Gain on sale of investment securities	67	321
Gain on sale of non-current assets	23	18
Total extraordinary income	90	340
Extraordinary losses		
Loss on sale and retirement of non-current assets	117	169
Extra retirement payments	-	87
Loss on liquidation of subsidiaries and associates	149	-
Total extraordinary losses	266	256
Profit before income taxes	7,637	2,714
Income taxes - current	2,287	1,182
Income taxes - deferred	17	18
Total income taxes	2,305	1,200
Profit	5,331	1,513
Profit (loss) attributable to non-controlling interests	95	(20)
Profit attributable to owners of parent	5,235	1,533

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	5,331	1,513
Other comprehensive income		
Valuation difference on available-for-sale securities	364	(555)
Deferred gains or losses on hedges	92	954
Foreign currency translation adjustment	7,236	1,216
Remeasurements of defined benefit plans	396	(370)
Total other comprehensive income	8,090	1,244
Comprehensive income	13,422	2,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,155	2,672
Comprehensive income attributable to non-controlling interests	266	85

Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	7,637	2,714
Depreciation	6,711	7,095
Amortization of goodwill	1,589	1,713
Increase (decrease) in allowance for doubtful accounts	(58)	(74)
Increase (decrease) in provision for bonuses	(8)	10
Increase (decrease) in retirement benefit liability	34	2
Decrease (increase) in retirement benefit asset	51	12
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(16)	(0)
Increase (decrease) in provision for environmental measures	46	2
Increase (decrease) in provision for loss on guarantees	0	1
Interest and dividend income	(477)	(394)
Interest expenses	1,043	1,189
Loss (gain) on sale of investment securities	(67)	(321)
Loss (gain) on valuation of investment securities	0	-
Loss (gain) on sale and retirement of non-current assets	93	150
Decrease (increase) in trade receivables	(1,972)	4,212
Decrease (increase) in inventories	14,135	2,511
Increase (decrease) in trade payables	(8,526)	(7,146)
Other, net	39	(326)
Subtotal	20,256	11,352
Interest and dividends received	476	395
Interest paid	(1,025)	(1,586)
Income taxes refund (paid)	(5,046)	(5,089)
Net cash provided by (used in) operating activities	14,660	5,072
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,718)	(7,889)
Proceeds from sale of property, plant and equipment	360	41
Purchase of intangible assets	(276)	(222)
Purchase of investment securities	(1)	(224)
Proceeds from sale of investment securities	71	486
Long-term loan advances	(0)	(1)
Proceeds from collection of long-term loans receivable	3	0
Payments into time deposits	(433)	(666)
Proceeds from withdrawal of time deposits	366	767
Other, net	(194)	(119)
Net cash provided by (used in) investing activities	(10,823)	(7,826)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(240)	(17,355)
Net increase (decrease) in commercial papers	2,000	21,989
Repayments of long-term borrowings	(1,707)	(121)
Repayments of lease liabilities	(431)	(484)
Purchase of treasury shares	(4)	(2)
Dividends paid	(2,448)	(1,633)
Dividends paid to non-controlling interests	(23)	(2)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,593)	(2,491)
Other, net	(6)	(6)
Net cash provided by (used in) financing activities	(5,455)	(108)
Effect of exchange rate change on cash and cash equivalents	1,807	46
Net increase (decrease) in cash and cash equivalents	189	(2,817)
Cash and cash equivalents at beginning of period	30,986	30,657
Cash and cash equivalents at end of period	31,176	27,840

Notes to Semi-annual Consolidated Financial Statements
(Segment Information)

Information about reportable segment profit or loss

Segment information for the six months ended September 30, 2023

(Millions of yen)

	Reportable segments				Other	Total	Adjustments	Semi-annual Consolidated total
	Steel Products	Metal Powders	Formed and Fabricated Materials	Total				
Net sales								
Outside customers	173,441	2,724	9,027	185,192	57	185,250	—	185,250
Intersegment transactions	4,184	—	0	4,184	540	4,725	(4,725)	—
Total	177,625	2,724	9,027	189,377	597	189,975	(4,725)	185,250
Segment profit (loss)	7,085	469	(278)	7,276	14	7,290	28	7,319

1. The "Other" category is the information service segment not included in reportable segments.
2. Segment profit (loss) adjustments are intersegment eliminations.
3. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.

Segment information for the six months ended September 30, 2024

(Millions of yen)

	Reportable segments				Other	Total	Adjustments	Semi-annual Consolidated total
	Steel Products	Metal Powders	Formed and Fabricated Materials	Total				
Net sales								
Outside customers	156,653	2,784	8,940	168,377	45	168,423	—	168,423
Intersegment transactions	3,837	—	—	3,837	651	4,488	(4,488)	—
Total	160,490	2,784	8,940	172,215	697	172,912	(4,488)	168,423
Segment profit (loss)	3,255	571	(748)	3,077	14	3,092	9	3,102

1. The "Other" category is the information service segment not included in reportable segments.
2. Segment profit (loss) adjustments are intersegment eliminations.
3. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.

Consolidated Financial Results
for the Six Months Ended September 30, 2024

1. Financial results and forecast

(Thousand tons, Billions of yen, %)

	FY2024/1H (Result)	FY2023/1H (Result)	Change	%	Forecast (*)	
					FY2024	
Net sales	168.4	185.3	(16.8)	(9.1)	342.0	
(Sanyo)	80.8	96.2	(15.4)	(16.0)	162.0	
(OVAKO)	70.8	74.1	(3.3)	(4.4)	145.0	
(SSMI)	12.0	11.2	0.9	7.7	25.0	
Operating profit	3.1	7.3	(4.2)	(57.6)	13.2	
Ordinary profit	2.6	7.8	(5.2)	(66.3)	13.0	
ROS	1.6	4.2	(2.6)		3.8	
(Sanyo)	5.3	6.9	(1.6)	(22.9)	11.5	
(OVAKO)	2.1	5.1	(3.0)	(59.4)	5.5	
(SSMI)	0.4	0.3	0.1	25.0	1.0	
(Amortization of goodwill)	(1.7)	(1.6)	(0.1)	—	(3.4)	
Profit attributable to owners of parent	1.5	5.2	(3.7)	(70.7)	9.5	
Sales volume	683	739	(56)	(7.6)	1,408	
(Sanyo)	367	427	(60)	(14.1)	757	
(OVAKO)	259	256	4	1.5	535	
(SSMI)	56	56	0	0.1	116	
Capital expenditure	6.7	9.2	(2.4)	(26.6)	17.5	
Depreciation	7.1	6.7	0.4	5.7	15.0	

(*) Major assumptions after October 2024 : Scrap iron 45,000 yen/t (H2 market price in Himeji area)

Crude oil (Dubai) 80\$/BL , Exchange rate 145 yen/US\$, 160 yen/€

(Reference) Net sales and profit (Quarterly)

(Billions of yen, %)

	FY2023					FY2024	
	1Q	2Q	3Q	4Q	Full year	1Q	2Q
Net sales	99.9	85.4	83.7	84.8	353.8	88.5	79.9
Operating profit	5.5	1.8	1.5	2.5	11.4	2.5	0.6
Ordinary profit	6.1	1.7	1.3	3.0	12.1	2.8	(0.2)
ROS	6.1	2.0	1.5	3.6	3.4	3.2	(0.2)
Profit attributable to owners of parent	4.3	0.9	1.1	2.7	9.1	2.0	(0.5)

2. Ordinary profit variance analysis (FY2023/1H → FY2024/1H)

(Billions of yen)

Reason for increase		Reason for decrease	
1. Raw material and fuel prices	2.7	1. Sales volume	2.5
2. Fixed cost	0.4	2. Non-operating income or expenses (Sanyo)	1.3
3. Variable cost reduction	0.1	3. Sales price and product mix	0.6
		4. Other Materials, outsourcing, logistic costs, etc.	0.3
		5. Repair expenses	0.1
		6. OVAKO's ordinary profit	3.0
		7. Consolidated affiliated companies, etc.	0.6
Total (A)	3.2	Total (B)	8.4
		Change (A) - (B)	(5.2)