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To whom it may concern,

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Sanyo Special Steel Co., Ltd. Announces 2025 Medium-term Management Plan

With the aim to further enhance and reinforce our corporate value in the global specialty steel market, Sanyo Special Steel Co., Ltd. launches the 2025 Medium-term management plan for the period from FY2021 to FY2025.

1. Business Environment and Basic Concept

Specialty steel demand in Japan is expected to decrease in the future due to changes in the social structure such as aging demographics. In addition, exports of specialty steel, whether direct or indirect through products using specialty steel, are also expected to decline in the medium- to long-term due to the growing needs of overseas consumers for local production for local consumption and reassessment of the global supply chain.

On global basis, although demand for specialty steel itself is expected to increase mainly in China and India, we consider that competition will intensify with domestic and overseas specialty steel manufacturers due to changes in the social and industrial structure, such as increase of electrical vehicles (EV) etc., together with intensifying quest for raw materials, particularly in the area of steel scrap due to the surge of electric furnaces operations to lessen carbon emission.

In consideration of these medium- to long-term changes in the demand structure for specialty steel and the intensification of international competition, the fundamental concept of the 2025 Medium-term management plan is to establish a lean and robust corporate structure securing stable earnings by strengthening the business foundation, and to further enhance corporate value in the global specialty steel market.

Major initiatives include, strengthening the profitability of overseas businesses, mainly Ovako (Europe) and MSSS (India), further expanding technological superiority to respond to customers' new requirements and to global environmental challenges in the pursuit of carbon neutrality, reforming and streamlining production and business processes by promoting DX (Digital Transformation), strengthening governance to meet the qualifications of the Tokyo Stock Exchange prime market (from spring 2022), and promoting diversity and health management.

2. Basic Policies

(1) Fortifying corporate value in the global specialty steel market

Based on a compelling sense of crisis and urgency that we face an evident turning point of the business environment, we will strengthen the cost competitiveness of the group as a whole by reducing both fixed and variable costs. We will also improve sales margins, upgrade sales mix, and secure and heighten our global market position.

(2) Reinforcing profitability of overseas businesses

Ovako will reinforce its lean and robust corporate structure, primarily by refining its cost-competitiveness. MSSS will further enhance its position in the Indian market by reinforcing its sales strategy and cost-competitiveness.

(3) Utilizing synergies with Nippon Steel and Ovako

We will realize full synergies by FY2024 as planned, by swift implementation of collaborative measures in all areas including sales, production, procurement, etc.

(4) Expanding technological superiority

With the strength of our high-cleanliness steel, we will aim to respond to new requirements and environmental challenges arising from changes in the social and industrial structure. In particular, we focus on intensifying technologies that can respond to further reliability and consistency requirements in fields such as EV, wind power, railways, and hydrogen society, expected to expand globally.

(5) Achieving carbon neutrality by 2050

We will aim to achieve carbon neutrality by 2050, by contributing to reduce CO₂ emissions at all social stages through the promotion of "eco-processes (energy conservation and higher efficiency in production)," "green energy utilization", "eco-products" (further reliable and consistent products for long-life bearings used in automobiles, wind power, railroads, and metal powders for 3D printers etc.)," and "eco-solutions" (sharing energy-saving technologies and productivity improvements among Ovako and MSSS)." In accordance with the significance of carbon neutrality, we inaugurated the "Zero Carbon Promotion Committee" headed by our president and CEO, for promoting and accomplishing carbon neutrality of the whole group.

(6) Promoting digital transformation (DX)

Utilizing latest digital technologies, we will further promote optimum operations (ex. operational efficiency improvement and preventive maintenance by AI and IoT), quality improvement (ex. detection accuracy improvement by AI), labor productivity improvement (ex. automation by RPA), safety education (by VR), etc.

(7) Strengthening governance system and promoting diversity and health management

We will strengthen our corporate governance system to meet the qualifications of the Tokyo Stock Exchange prime market (from spring 2022). At the same time, we will promote diversity management (extension of the retirement age to 65 years, further women empowerment, and nurturing global human resources) and health management with the aim of enabling all employees to succeed and develop regardless of their individual background or preference.

(8) Boosting profitability of Formed & Fabricated Products and Metal Powder Businesses

We will leverage the advantage of the integrated forging-turning manufacturing process to enhance the profitability of the Formed & Fabricated Products Business. We will develop and expand sales of strategic items in the area of advanced information technologies such as 5G and carbon neutrality etc. to boost the return in the Metal Powder Business.

(9) Rearranging global corporate structure

We will rearrange the global corporate structure through further reorganization, consolidation and divestment.

3. Financial Targets (Consolidated)

(1) FY2025 earnings plan

- Net sales : Approx. 280 billion yen
- Ordinary income : Approx. 14 billion yen [Approx. 16.3 billion yen*] *Before amortization of goodwill
- ROS : Approx. 5% [Approx. 6%*]
- ROE : Approx. 5% [Approx. 6%*]

[Key Assumptions]

- Iron scrap (purchase): ¥40,000/t
(Himeji area H2 market)
- Crude oil (Dubai) : \$60/BL
- Exchange rates : ¥100/\$, ¥112/€

(2) FY2025 financial indicators

- Equity ratio : Approx. 60% (FY2019 result: 54%)
- D/E ratio (Net) : Approx. 0.2 times (FY2019 result: 0.27 times)
- D/EBITDA (Net) : Approx. 1 time (FY2019 result: 2.9 times)

(3) Shareholder returns

- We will aim a dividend payout ratio of around 30% against net income before amortization of goodwill.

(4) Comparison with previous medium-term (FY2017-FY2019)

In the previous medium-term (FY2017-FY2019), we achieved to significantly expand our corporate scale through business restructuring, including the acquisition or consolidation of Ovako (March 2019) and MSSS (June 2018). In terms of earnings, we regrettably recorded a deficit in FY2019, mainly due

to the economic downturn partly caused by conflicts between the United States and China, etc. In the 2025 medium-term management plan, we will aim to further increase corporate value by securing and expanding return on consolidated basis, in particular by strengthening the profitability of overseas businesses.

4. Major Resource Allocation (Consolidated)

(1) Capital expenditures

- Approx. 60 billion yen/5 years
 - Limit within the amount of depreciation.
 - Cost reduction, labor saving, carbon neutrality (energy conservation), DX promotion, renovation, etc.

(2) Research and development expenses

- Approx. 12.5 billion yen/5 years *Same level as previous medium-term
 - "Creation of eco-processes and eco-products" with the focus on carbon neutrality, etc.

(3) Personnel plan

- 6,726 people (as of the end of FY2019) → Approx. 6,400 people (as of the end of FY2025)
 - On a non-consolidated basis, the retirement age was extended to 65 years from FY2021.
 - Group-wide rationalization of about 5%.

End

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