

Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2022
(April 2021 → December 2021)

January 27, 2022

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

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

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1 . FY2021 3rd Quarter Results

Outline of Statements of Income

1. Outline of FY2021/1~3Q Result

Ordinary income in FY21/1 ~ 3Q : 14.5 billion yen (+21.2 billion yen, record high 1~3Q profit)

▶ Profit on YOY basis increased due to recovery of sales volume, improved profit margin, reduction of variable cost and improved profit of group companies, partly offset by increase of raw material, fuel prices 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 FY21/1~3Q include 12 months (Jan.-Dec. 2021)]

(Reference) Sales Volume

	FY21/1~3Q (A)		FY20/1~3Q (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Sales Volume (Thousand tons)	1,542	(per month) 152.1	967	(per month) 107.4	+575	(per month) +44.7
(Sanyo)	763	84.8	478	53.1	+285	+31.7
(OVAKO)*1	691	57.6	427	47.4	+264	+10.2
(MSSS)*2	88	9.7	62	6.9	+26	+2.9

2. Statements of Income (FY21/1~3Q vs. FY20/1~3Q)

(Unit : Billion yen)

	FY21/1~3Q (A)		FY20/1~3Q (B)		Change(B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	269.3	100.0	148.7	100.0	+120.6	+81.1
Operating Income	14.4	5.4	-6.5	-4.4	+20.9	-
Ordinary Income	14.5	ROS 5.4	-6.7	ROS -4.5	+21.2	-
(Sanyo)	7.5	6.1	-0.5	-	+8.0	-
(OVAKO) *1	8.6	6.7	-2.4	-	+11.0	-
(MSSS) *2	0.3	2.7	-1.1	-	+1.4	-
(Amortization of goodwill) *1	-2.7	-	-1.9	-	-0.8	-
Net Income*3	10.2	3.8	-5.9	-3.9	+16.0	-
Net Income before amortization of goodwill	12.9	4.8	-3.9	-2.6	+16.8	-

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

FY2021/1~3Q : 12 months(Jan. to Dec. 2021), FY2020/1~3Q : 9 months(Jan. to Sep. 2020)

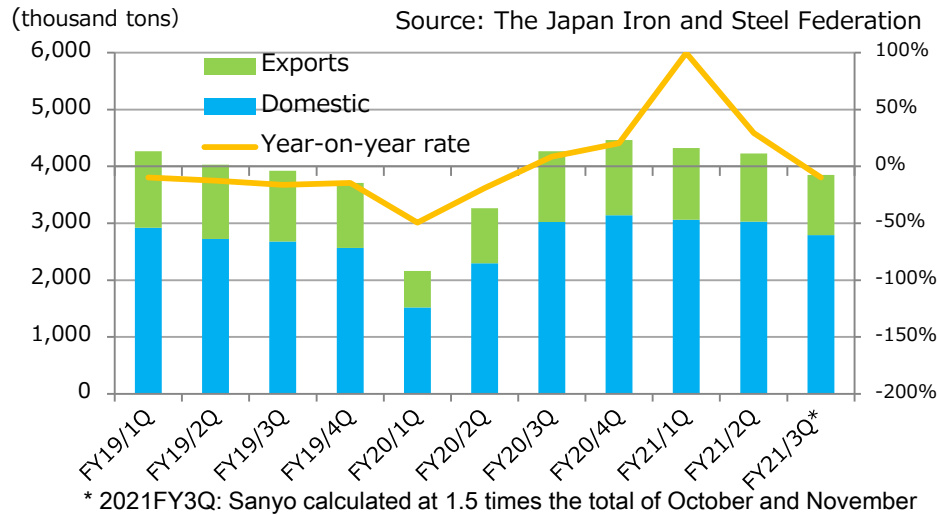
*2 The consolidated accounting period for MSSS is Jan. to Sep.

*3 Profit attributable to owners of parent

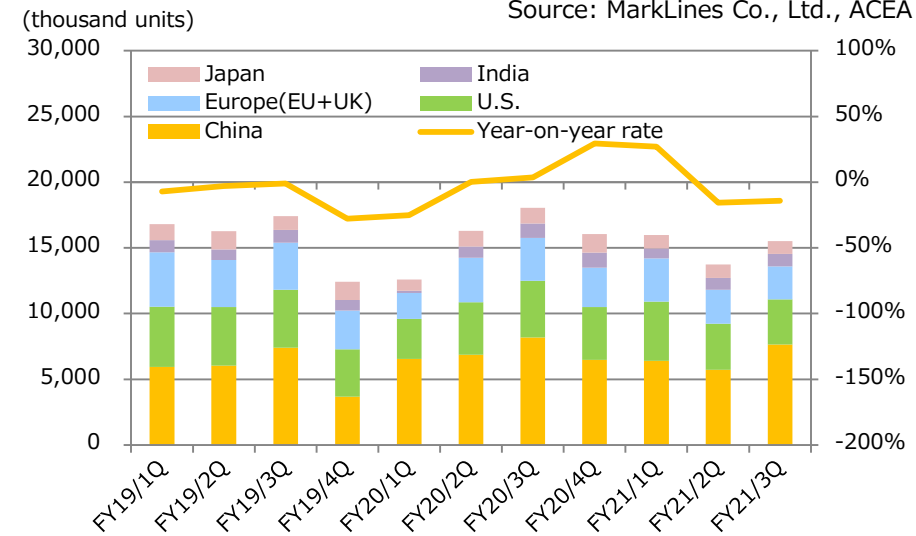
Demand trends of Special Steel

Demand of Special Steel has been strong in all major markets, but some effects of reduced auto production and destocking in the supply chain have started to materialize.

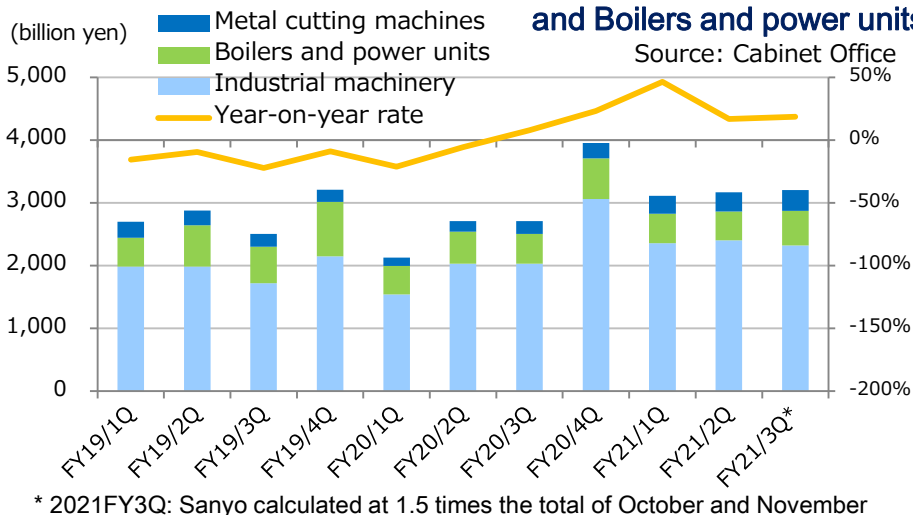
Volume of order booked (Specialty steel products)



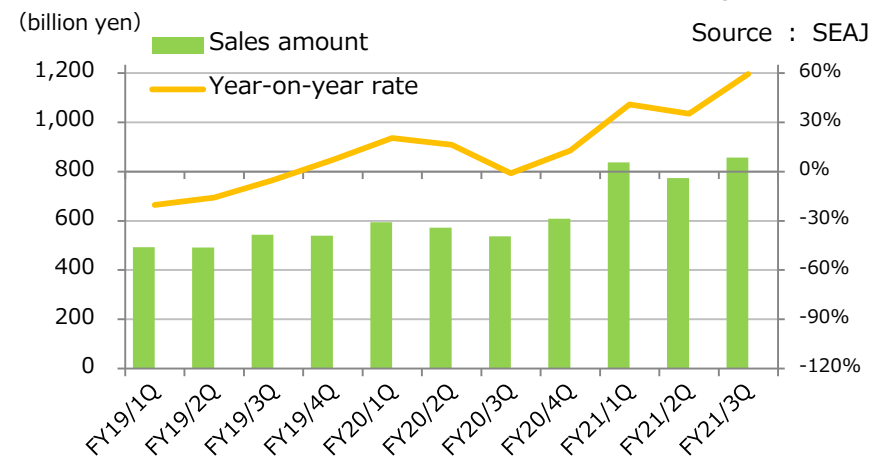
Units of automobile sales



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

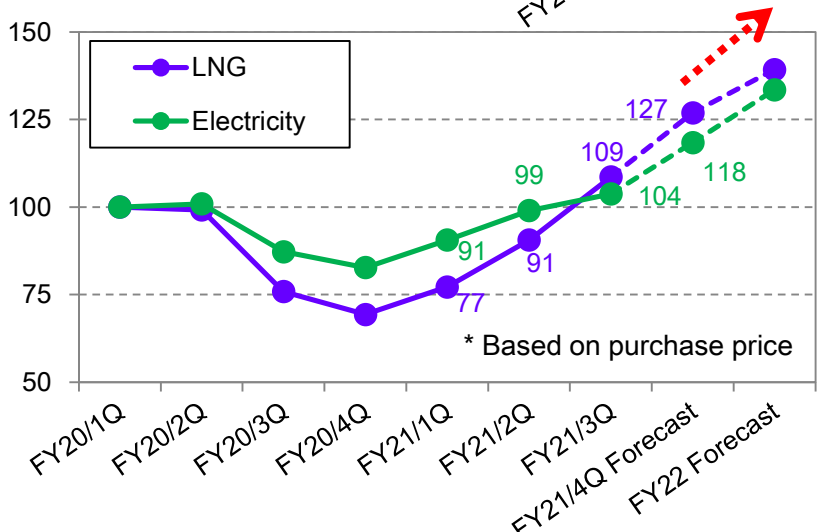
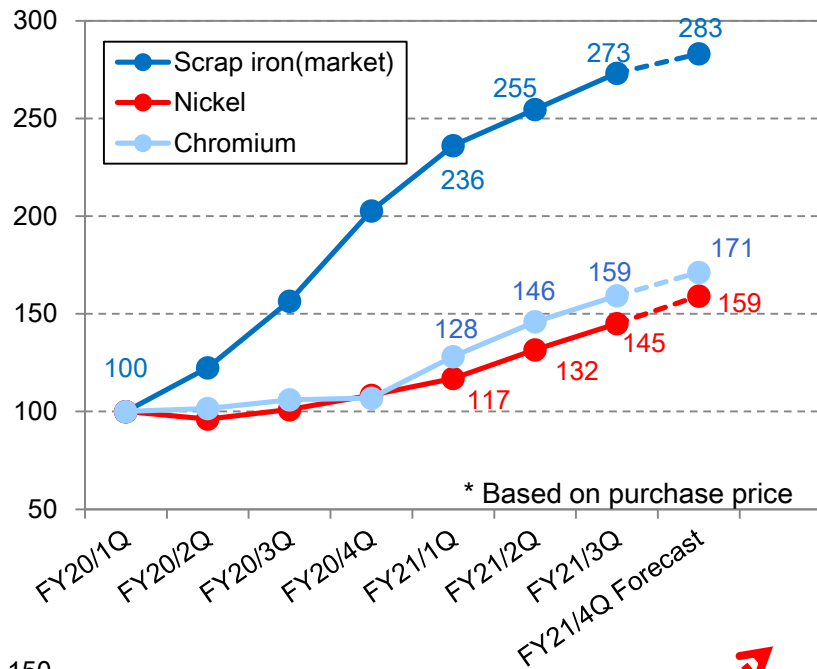


Sales amount of semiconductor manufacturing equipment



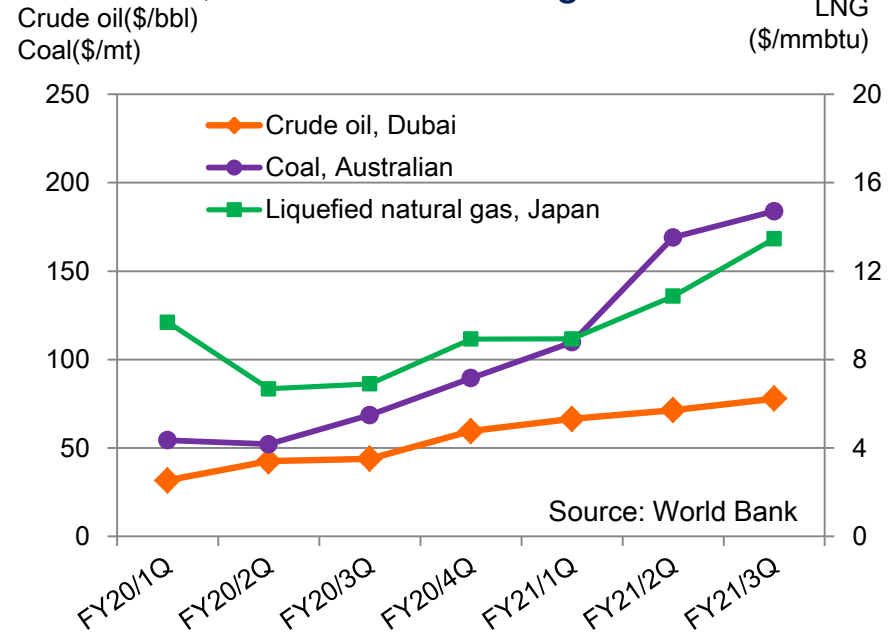
Raw Material and Fuel Prices

Raw Material and Fuel Prices (FY20/1Q = 100)



- ✓ 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 due to tight supply and demand reflecting carbon neutrality trend. The energy unit prices are expected to rise sharply in 2022.

Crude oil, Coal and Natural gas Prices



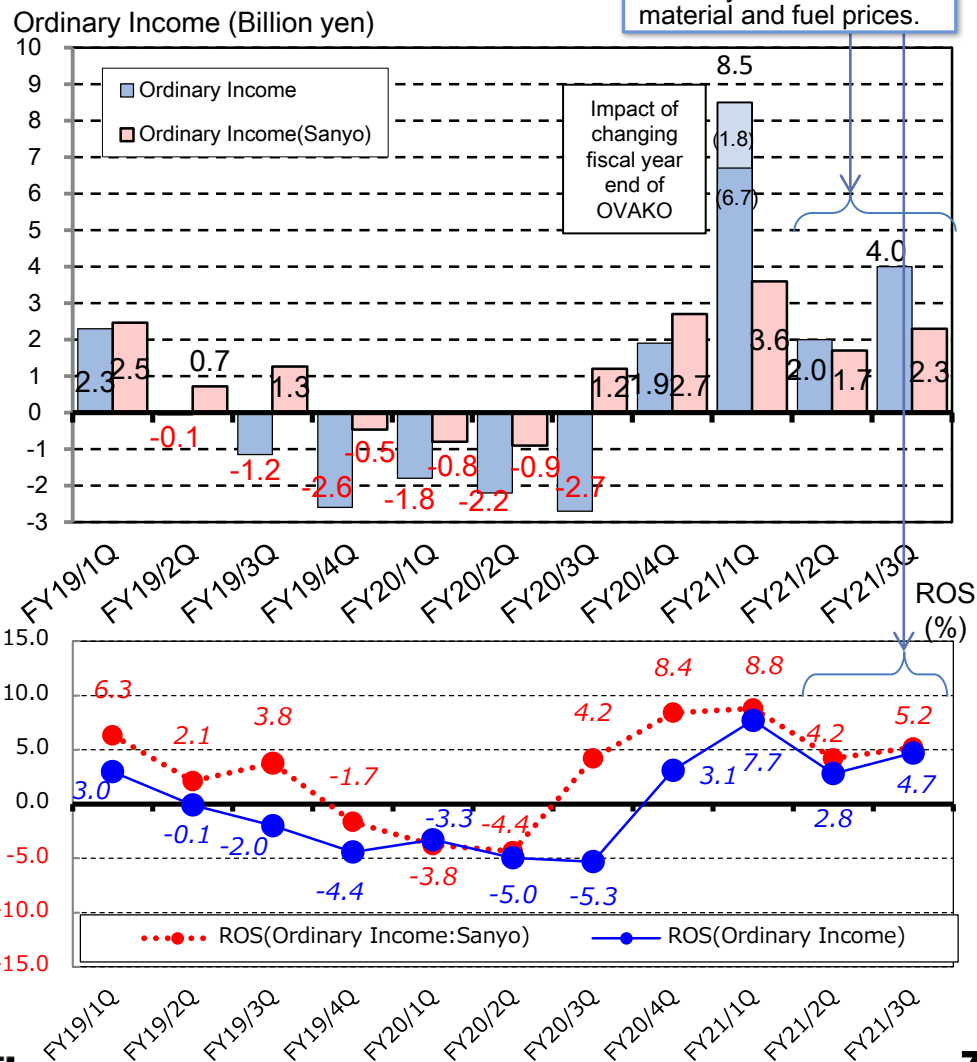
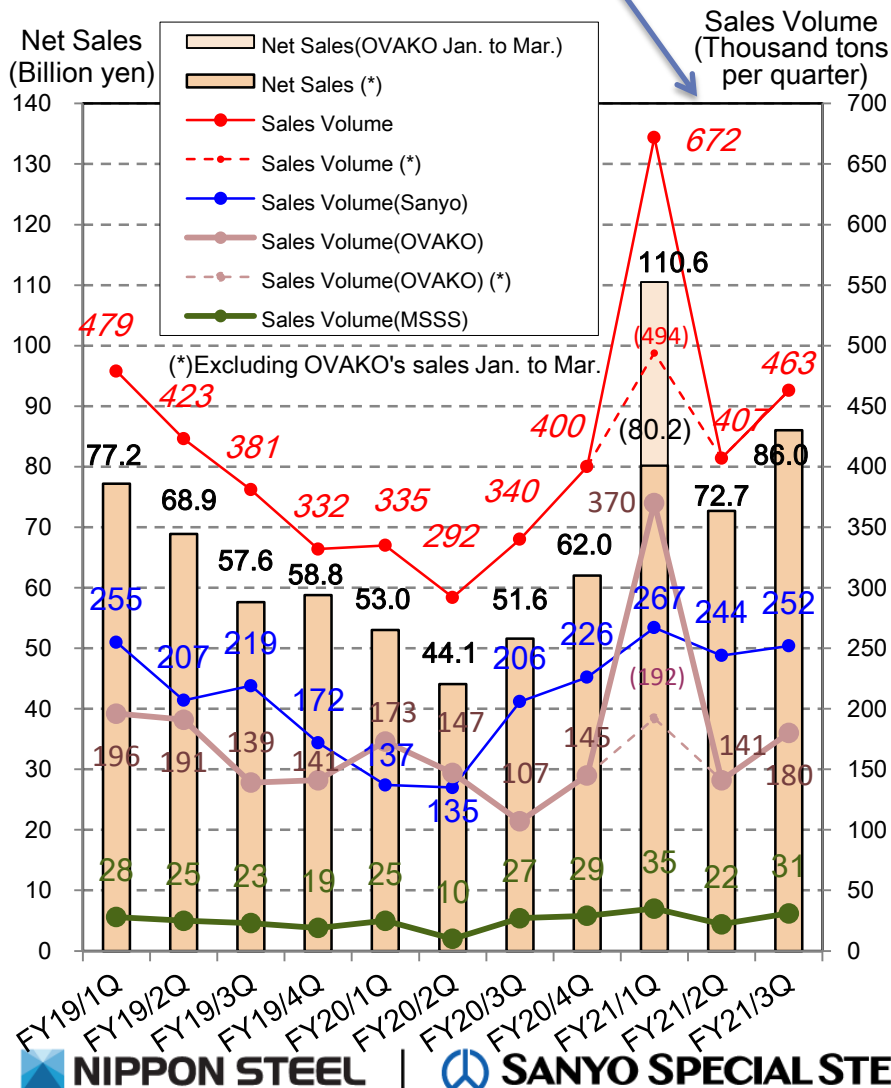
Net Sales and Income (Quarterly)

【Sales Volume】

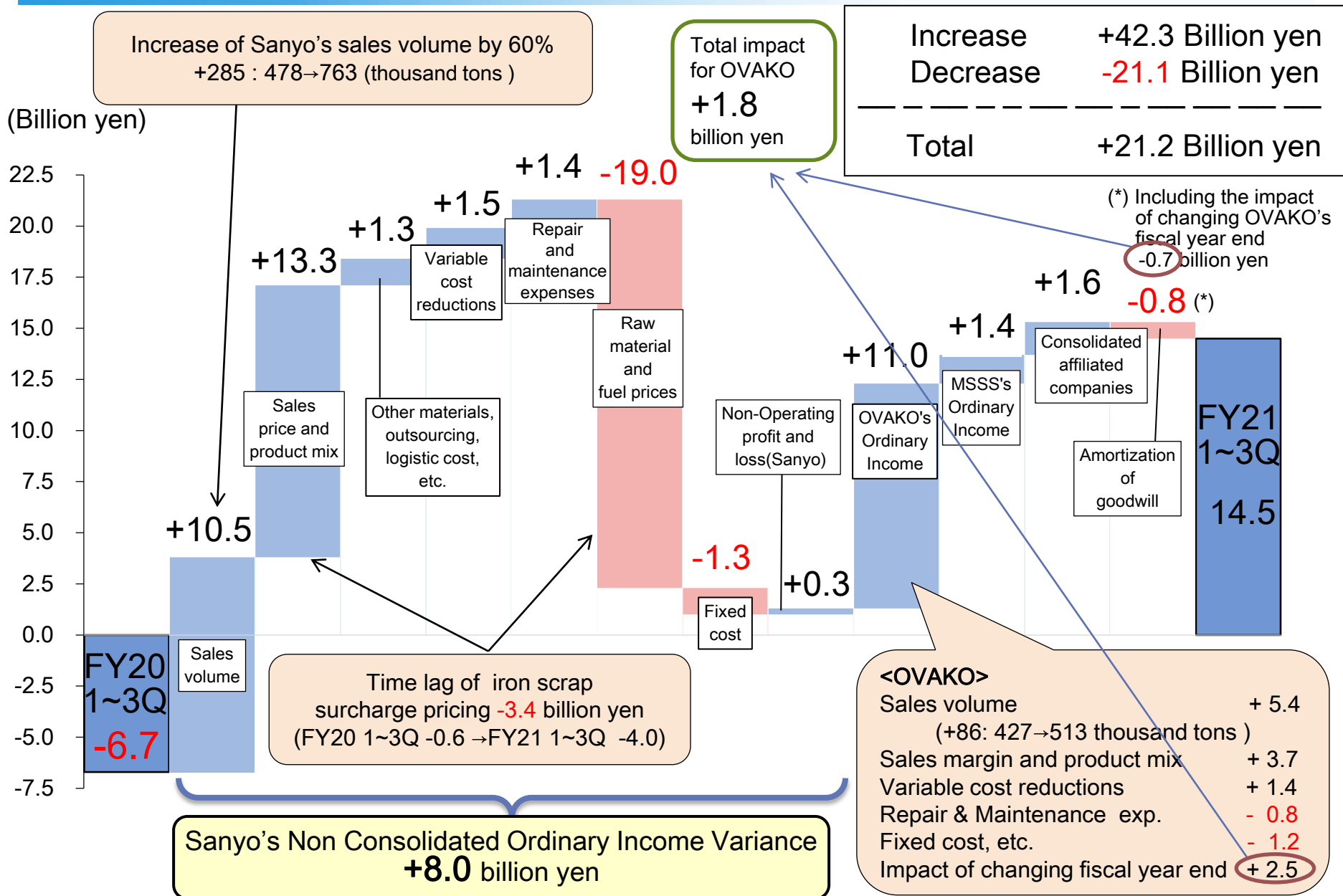
Sanyo: FY21/2Q(Jul.-Sep.); decreased due to summer outage.
 OVAKO: FY21/1Q(Jan.-Jun.); increased due to recovering demand and changing the fiscal year end.
 FY21/2Q(Jul.-Sep.); decreased due to summer outage.
 MSSS: FY21/2Q(Apr.-Jun.); decreased due to halted supply of oxygen in India.

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

FY21/3Q: Income has increased mainly due to recovery of sales volume and sales margin, partly offset by increase in raw material and fuel prices.



Ordinary Income Variance Analysis (FY20/1~3Q → FY21/1~3Q)

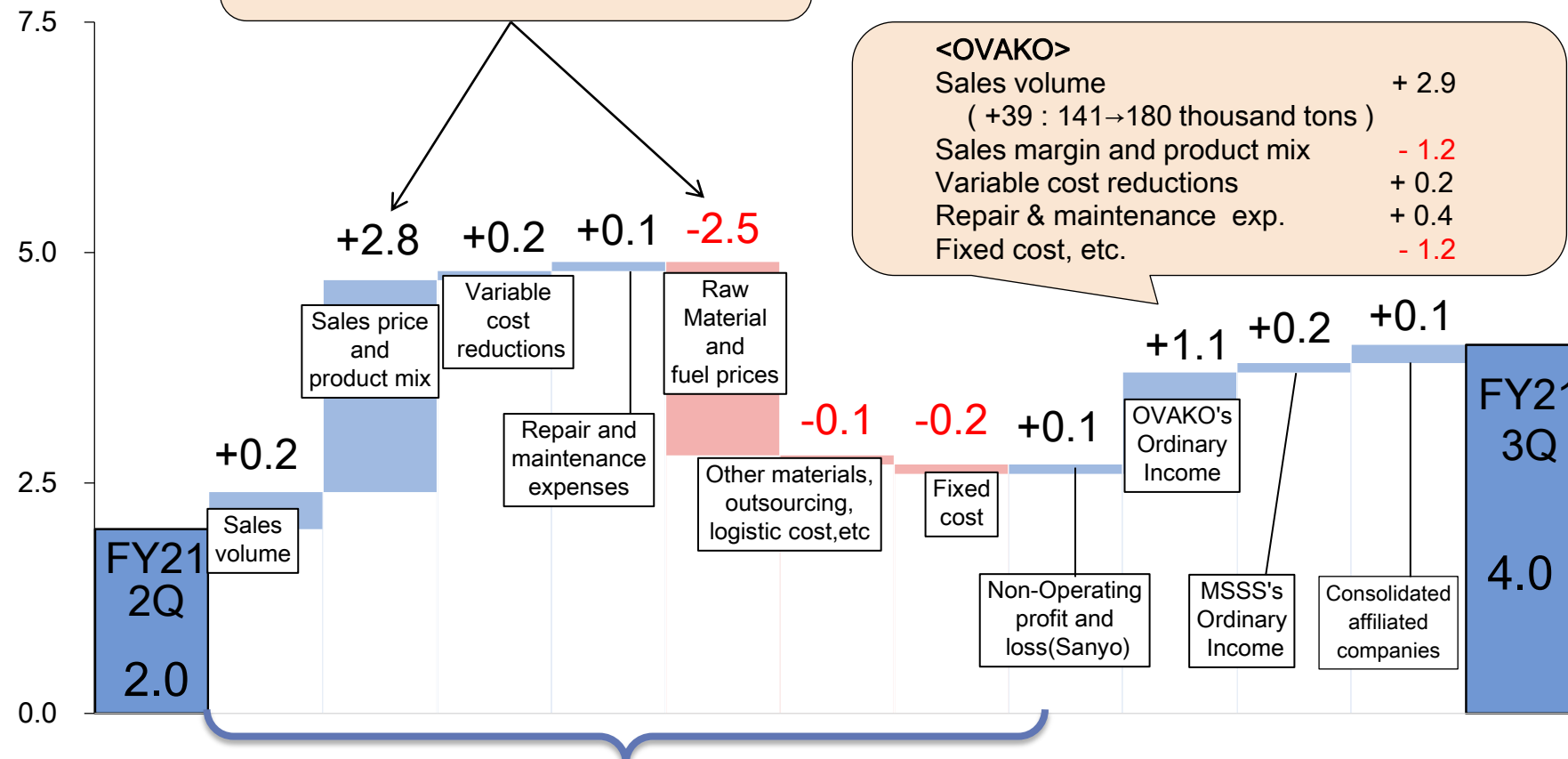


Ordinary Income Variance Analysis (FY21/2Q → FY21/3Q)

Increase	+4.8 Billion yen
Decrease	-2.8 Billion yen
<hr/>	
Total	+2.0 Billion yen

Time lag of iron scrap surcharge pricing
+1.1 billion yen
(FY21 2Q -1.9 → FY21 3Q -0.8)

(Billion yen)



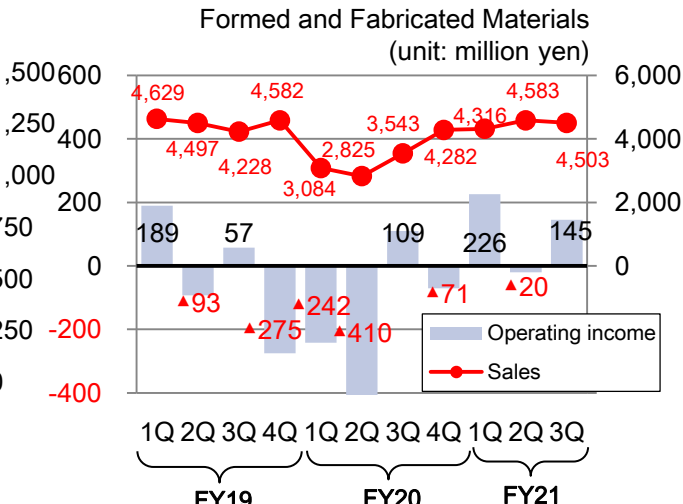
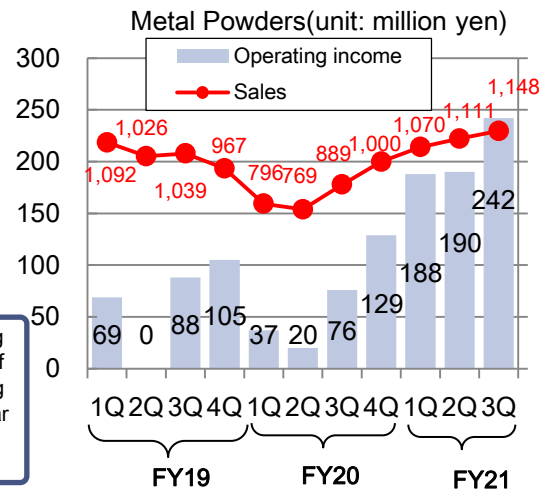
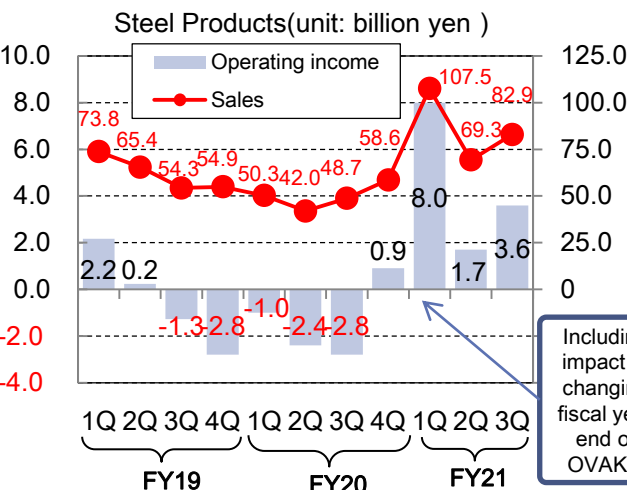
Sanyo's Non Consolidated Ordinary Income Variance
+0.6 billion yen

Earnings by Business Segment

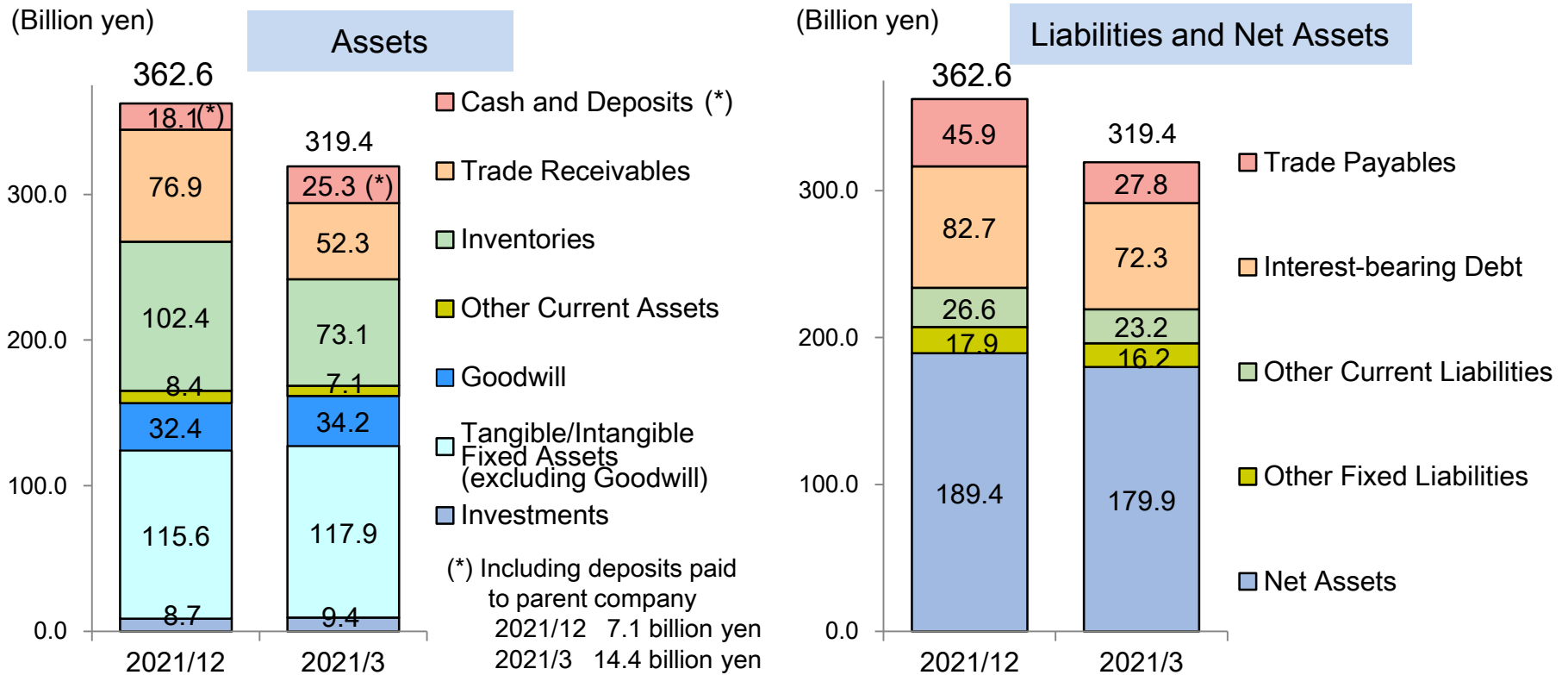
(Unit : Billion yen)

	FY21/1 ~ 3Q(A)			FY20/1 ~ 3Q(B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	259.6	13.4	5.2	141.1	-6.1	-4.4	+118.5	+19.5	+9.6
Metal Powders	3.3	0.6	18.7	2.5	0.1	5.5	+0.9	+0.5	+13.2
Formed and Fabricated Materials	13.4	0.4	2.6	9.5	-0.5	-5.7	+3.9	+0.9	+8.3
Sub-total	276.3	14.4	5.2	153.0	-6.6	-4.3	+123.3	+20.9	+9.5
Other	0.7	0.0	0.4	1.1	0.0	2.9	-0.3	-0.0	-2.5
Adjustments	-7.7	0.1	-	-5.3	0.0	-	-2.4	+0.0	-
Consolidated Total	269.3	14.4	5.4	148.7	-6.5	-4.4	+120.6	+20.9	+9.8

Change in Business Segment



Balance Sheets



Major changes in Assets + 43.3 billion yen (+14%)

Cash and Deposits	- 7.2
Trade Receivables	+ 24.6
Inventories	+ 29.3
Goodwill	- 1.7
(amortization -2.7, foreign exchange impact +1.0)	

Major changes in Liabilities and Net Assets + 43.3 billion yen (+14%)

Trade Payables	+ 18.1
Interest-bearing Debt	+ 10.5
Net Assets	+ 9.5

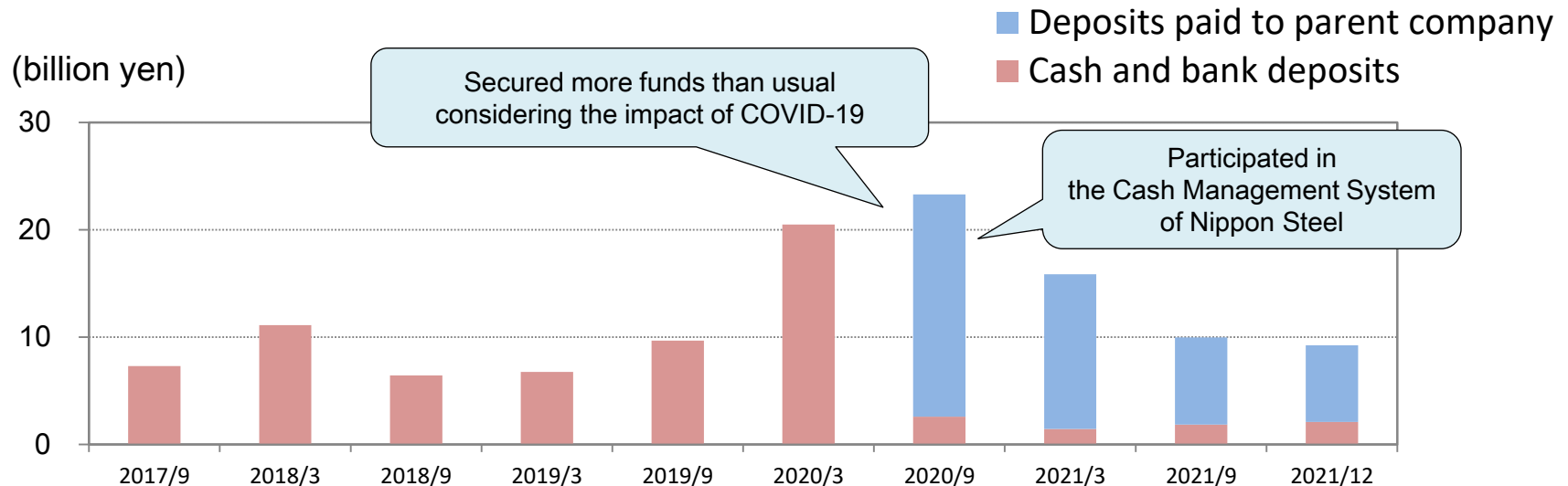
(Reference) Assets of Sanyo, OVAKO and MSSS (as of Dec. 2021, non consolidated basis)
Sanyo 270.3 billion yen, OVAKO 105.9 billion yen, MSSS 12.7 billion yen

Equity Ratio	2021/12	2021/3
	51.8%	55.9%

(Reference) 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)



2. FY2021 Forecast

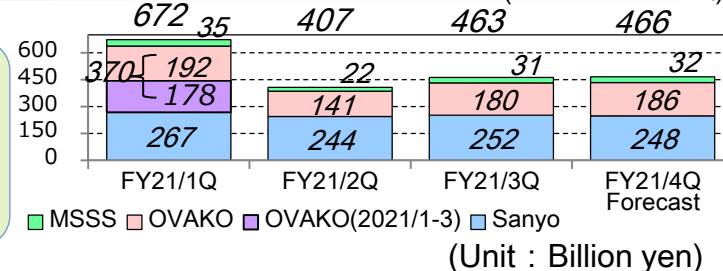
Business Forecast for FY21 (announced on January 27, 2022)

▶ **Ordinary income; 16.0 billion yen (+2.0 billion yen compared to previous forecast)**

Sanyo; continuous sales margin recovery including base price increase
OVAKO; continuous 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.

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



	Revised forecast '22/1/27					Previous forecast '21/10/29		Change		
	1H	2H		FY21(A)	2H	FY21(B)	B→A	3Q→4Q		
		3Q	4Q(f)							
Net Sales	183.3	86.0	90.7	176.7	360.0	166.7	350.0	+10.0	+4.6	
Operating Income	10.4	4.0	1.5	5.5	15.9	3.7	14.1	+1.8	-2.5	
Ordinary Income	10.5	4.0	1.5	5.5	16.0	3.5	14.0	+2.0	-2.5	
(Sanyo)	5.2	2.3	0.8	3.1	8.3	1.6	6.8	+1.5	-1.5	
(OVAKO) *1	Jan.-Mar. 2.5 Apr.-Sep. 4.3	6.8	1.8	1.4	3.2	10.0	2.4	9.3	+0.8	-0.4
(MSSS) *2	0.2	0.2	0.1	0.3	0.4	0.3	0.4	-	-0.1	
(Amortization of goodwill)*1	Jan.-Mar. -0.7 Apr.-Sep. -1.3	-2.0	-0.7	-0.7	-1.4	-3.4	-1.4	-3.4	-	-0.0
Net Income *3	7.3	2.9	0.6	3.5	10.8	1.8	9.1	+1.7	-2.2	
Net Income before amortization of goodwill	9.3	3.5	1.4	4.9	14.2	3.2	12.5	+1.7	-2.2	
Sales Volume (Thousand tons)	1,079	463	466	928	2,007	930	2,009	-2	+3	
(Sanyo)	511	252	248	499	1,010	510	1,021	-11	-5	
(OVAKO)	511	180	186	366	877	351	862	+15	+6	
(MSSS)	57	31	32	62	119	69	126	-6	+1	

*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. to Sep. 2021), FY2021 2H forecast: 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

Major prerequisites after January 2022

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

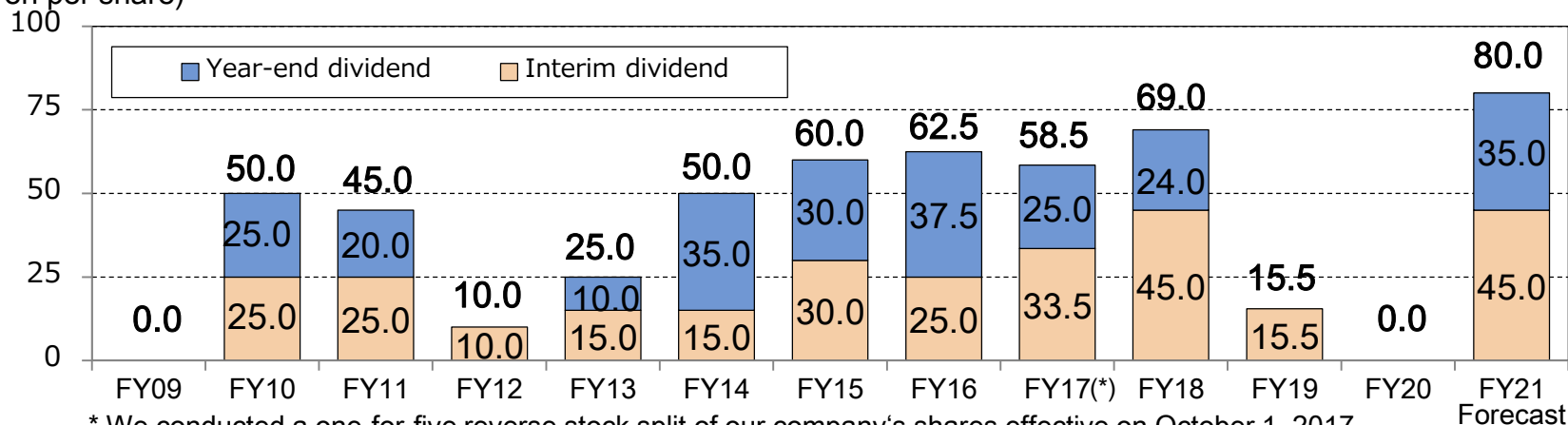
· Crude oil (Dubai) 90\$/BL · Exchange rate 115 yen/US\$, 130 yen/€

Dividend Forecast for FY21

(announced on January 27, 2022)

			FY21 1H (Result)	Revised forecast (A) '22/1/27		Previous forecast (B) '21/10/29		Change(B) → (A)	
				FY21 2H	FY21	FY21 2H	FY21	FY21 2H	FY21
Earnings Per Share(EPS)	A	¥/ share	133.8	-	198.2	-	167.0	-	+31.2
EPS before amortization of Goodwill	B	¥/ share	170.8	-	260.6	-	229.4	-	+31.2
Dividend	C	¥/ share	45.0	35.0	80.0	15.0	60.0	+20.0	+20.0
Payout Ratio	C/B	%	<i>26.3</i>	-	<i>30.7</i>	-	<i>26.2</i>	-	+4.5
	C/A	%	<i>33.6</i>	-	<i>40.4</i>	-	<i>35.9</i>	-	+4.4

(Yen per share)

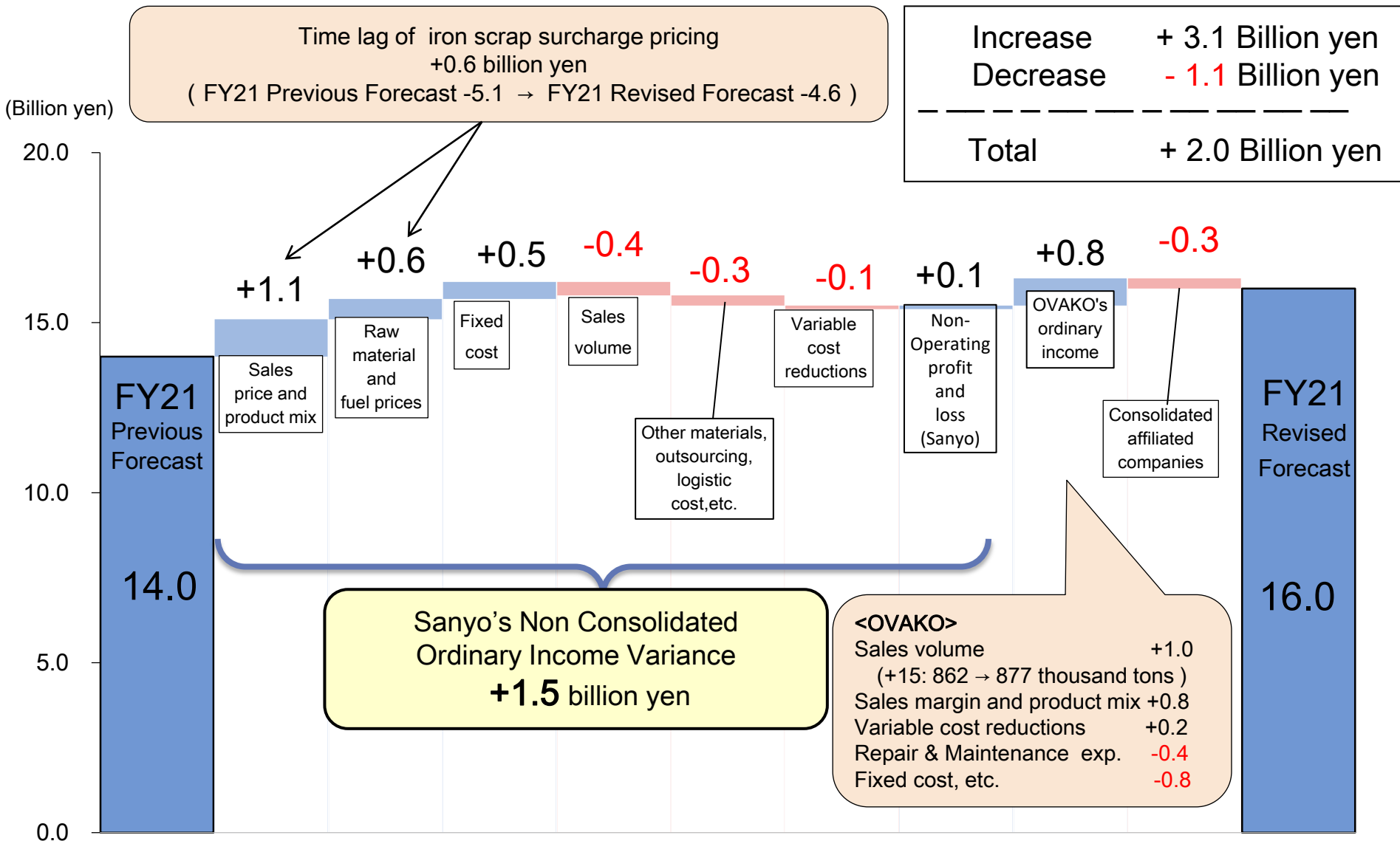


* We conducted a one-for-five reverse stock split of our company's shares effective on October 1, 2017. Dividend is adjusted after the one-for-five reverse stock split.

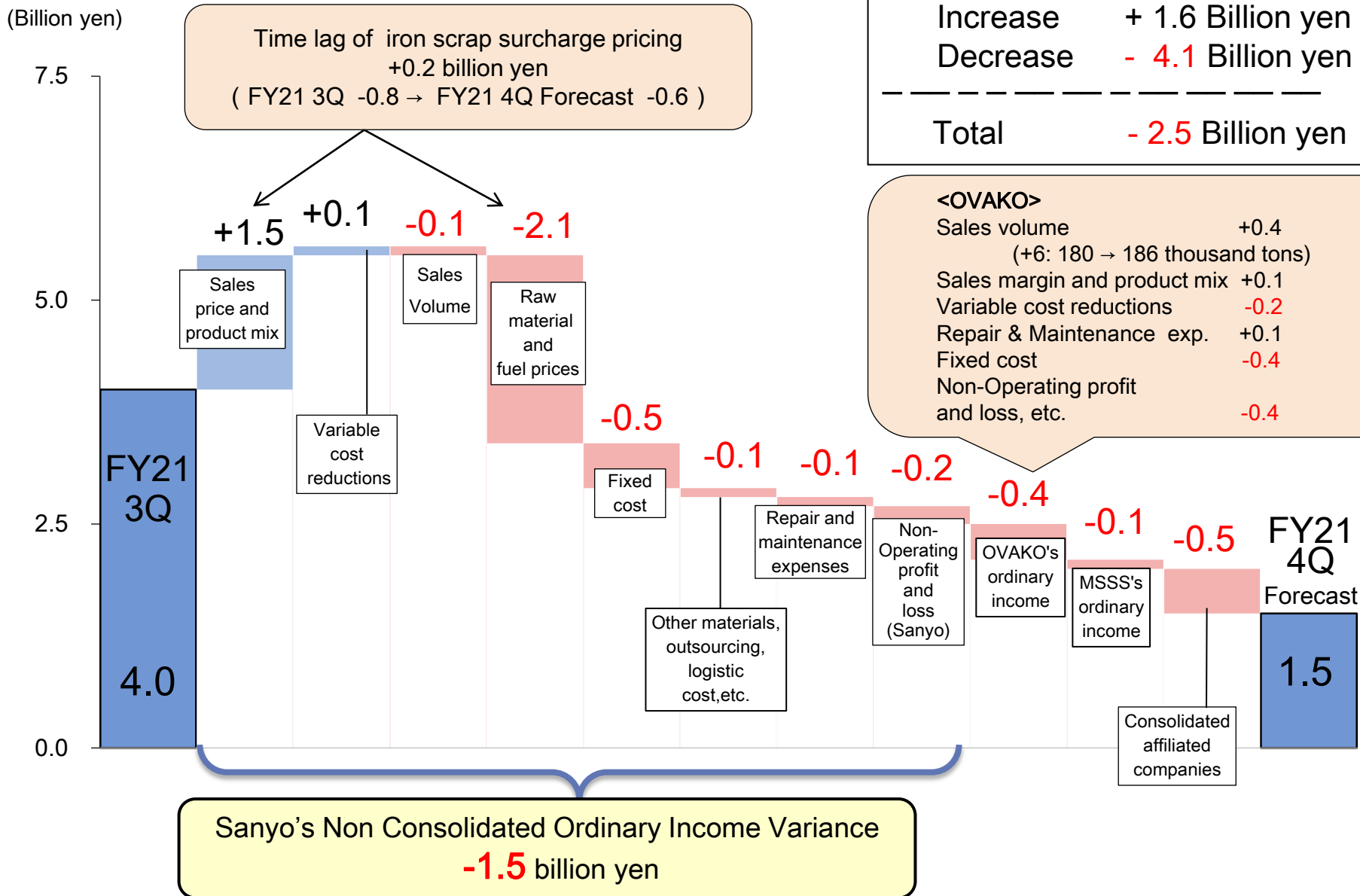
< Dividend Policy >

Dividend payout ratio target : Around 30% of EPS before amortization of goodwill

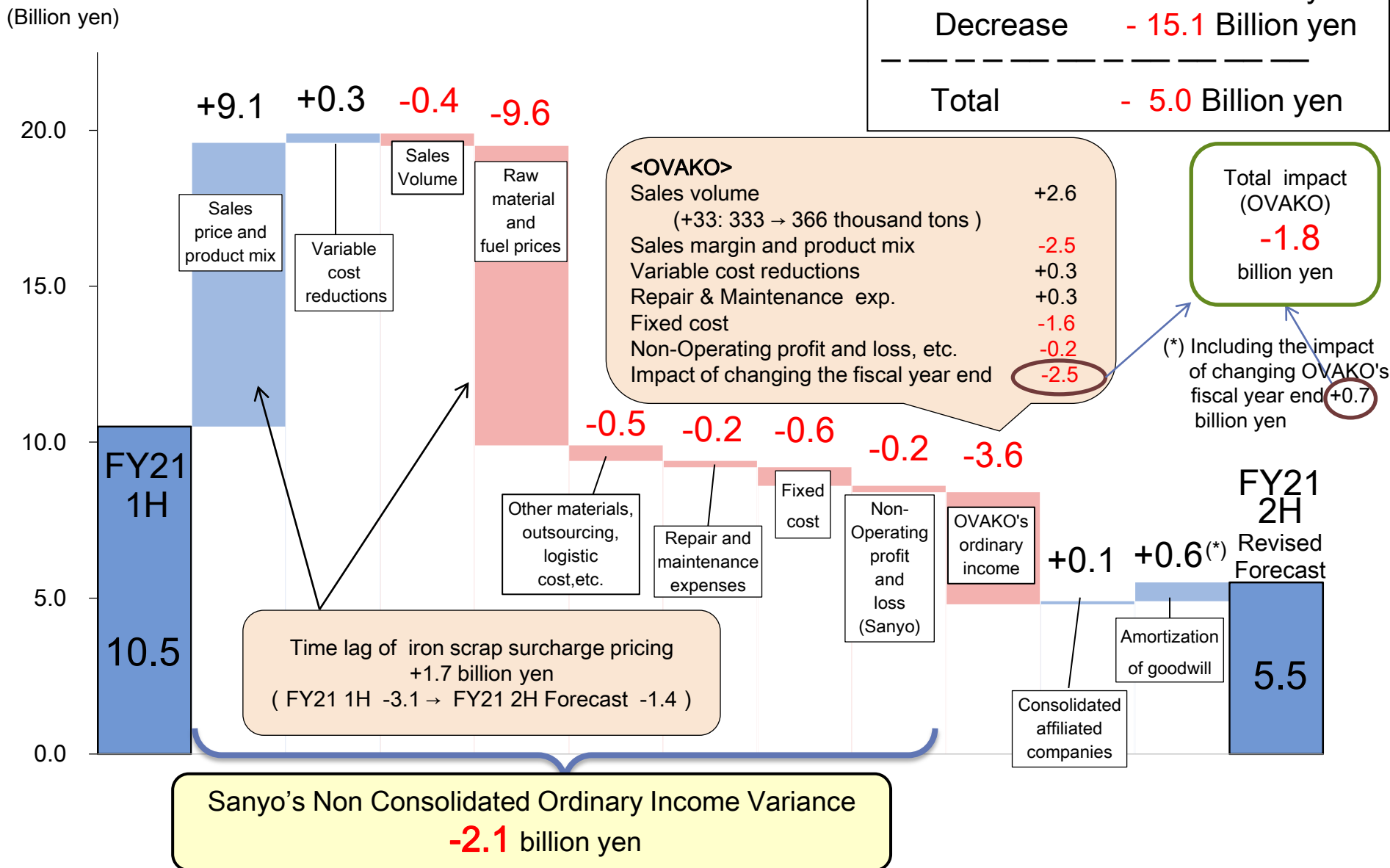
Ordinary Income Variance Analysis (FY21 Previous Forecast → FY21 Revised Forecast)



Ordinary Income Variance Analysis (FY21/3Q → FY21/4Q Forecast)



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

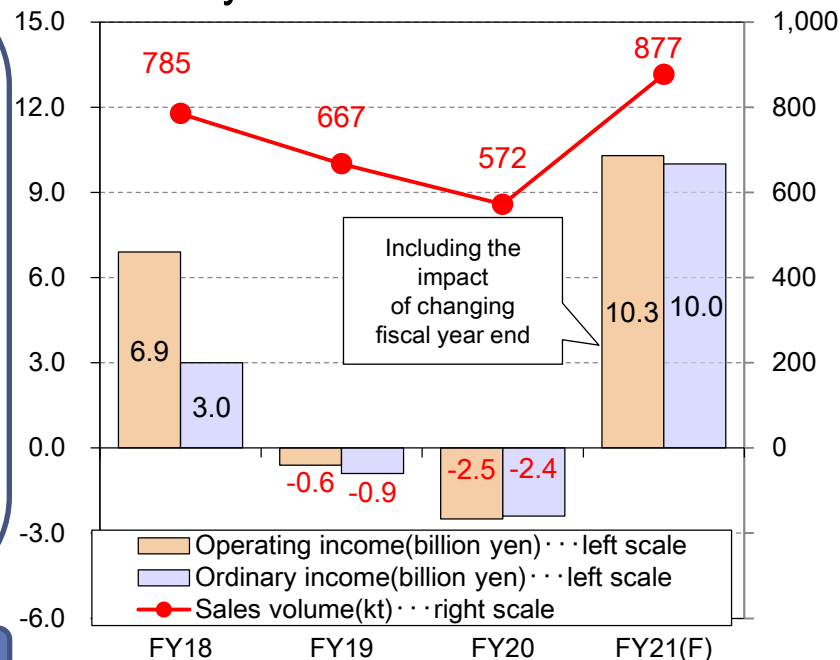


Headquarter : Stockholm, Sweden Manufacture and sale of special steel bars, pipes, rings, etc.
Manufacturing sites in Sweden and Finland. An affiliated company of Sanyo since March 2019.

FY2021 forecast

- ▶ Ordinary income in FY21 : 10.0 billion yen (+0.8 billion yen compared to previous forecast)
- ▶ 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.
- ▶ OVAKO will continue controlling variable and fixed cost and securing forecasted results by capturing the demand, despite the impact of sharp increase in raw material and fuel prices.
- ▶ We have changed OVAKO's fiscal year end from 31st December to 31st March since FY2021. (Please refer to page 36)

Trend of Operating income, Ordinary income and Sales volume



Profit improvement measures and actions

- Improving profit margin
 - a) Optimize operation by flexibly balancing capacity between mills in case of high level production
 - b) Strictly control variable and fixed cost to lower break even point on a continuing basis.
 - c) 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
 - a) Promote joint sales activities
 - b) Reduce operational cost
 - c) Reduce procurement cost

FY2021 forecast

- ▶ 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.

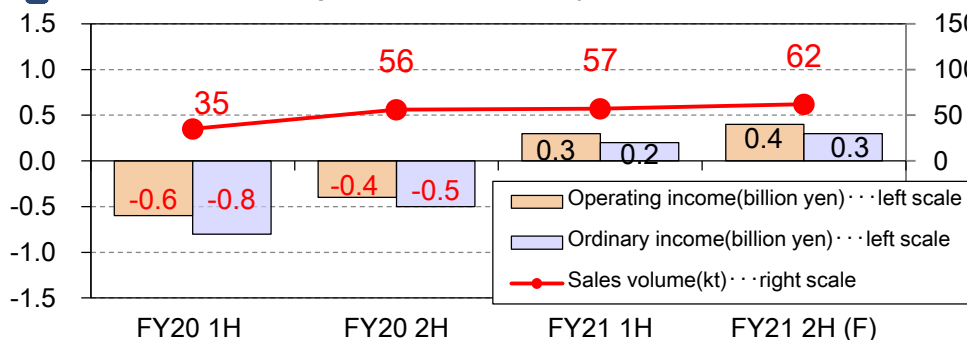
▶ Ordinary income in FY21 : 0.4 billion yen (±0.0 billion yen compared to previous forecast)

- ▶ Ordinary income in FY21 1~3Q(Jan.-Sep.) was positive due to improved sales volume, sales margin and product mix, and FY21 is expected to be positive, though the sales volume in FY21 2Q(Apr.-Jun.) decreased due to halting supply of oxygen.
- ▶ MSSS will further improve sales margin and product mix, despite the impact of decrease in automobile production due to shortage of semiconductor and sharp increase in raw material and fuel prices.
- ▶ MSSS will further strengthen its position in the Indian market by enhancing technological superiority, improving sales mix and cost-competitiveness to continuously secure stable returns.

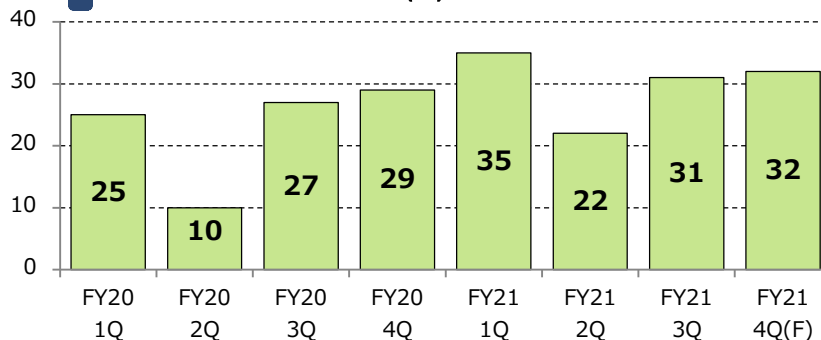
Profit improvement measures and actions

- 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

Trend of Operating income, Ordinary income and Sales volume



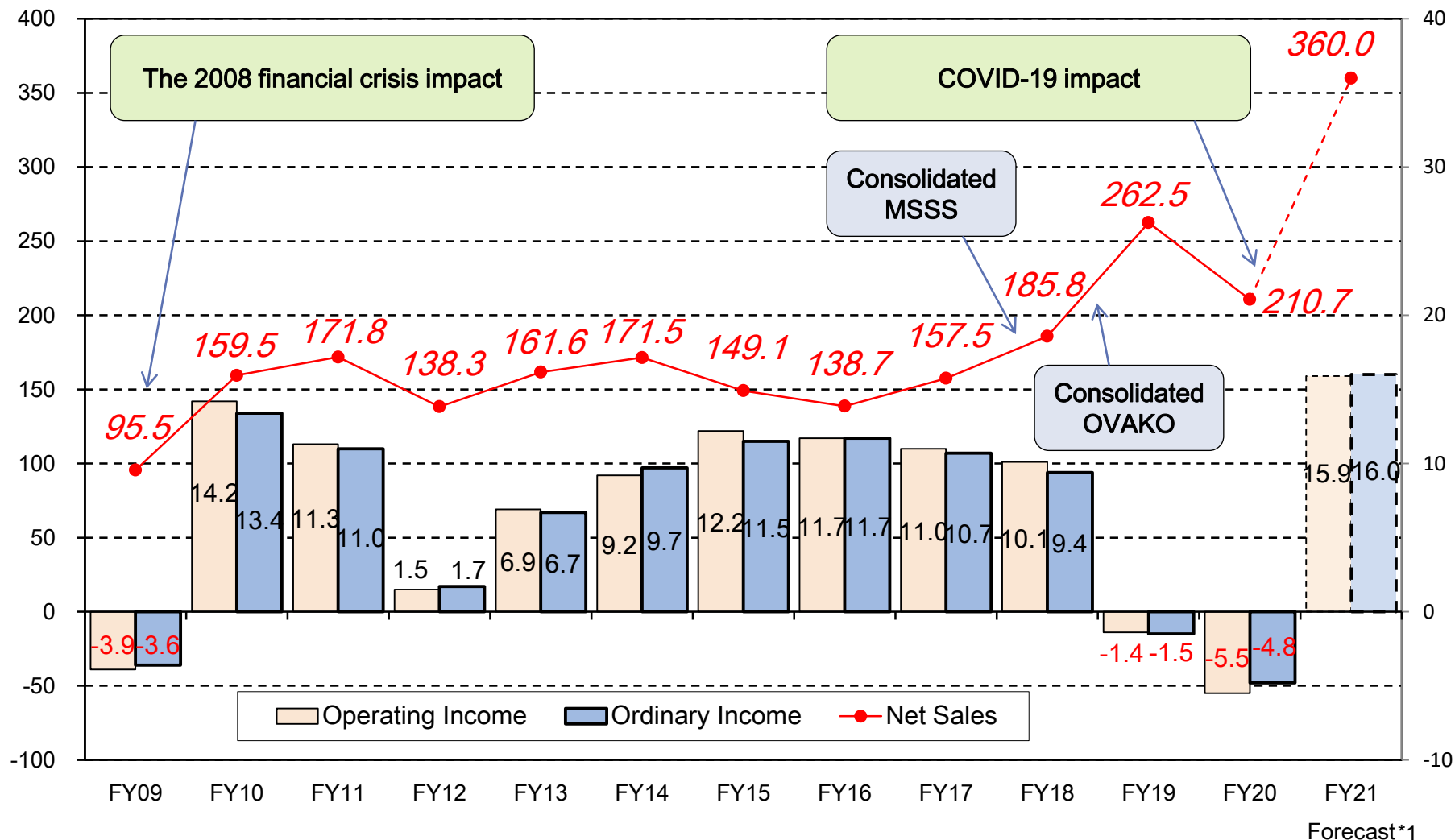
MSSS's sales volume (kt)



Net Sales and Income (Fiscal)

Net Sales
(Billion yen)

Operating Income
Ordinary Income
(Billion yen)

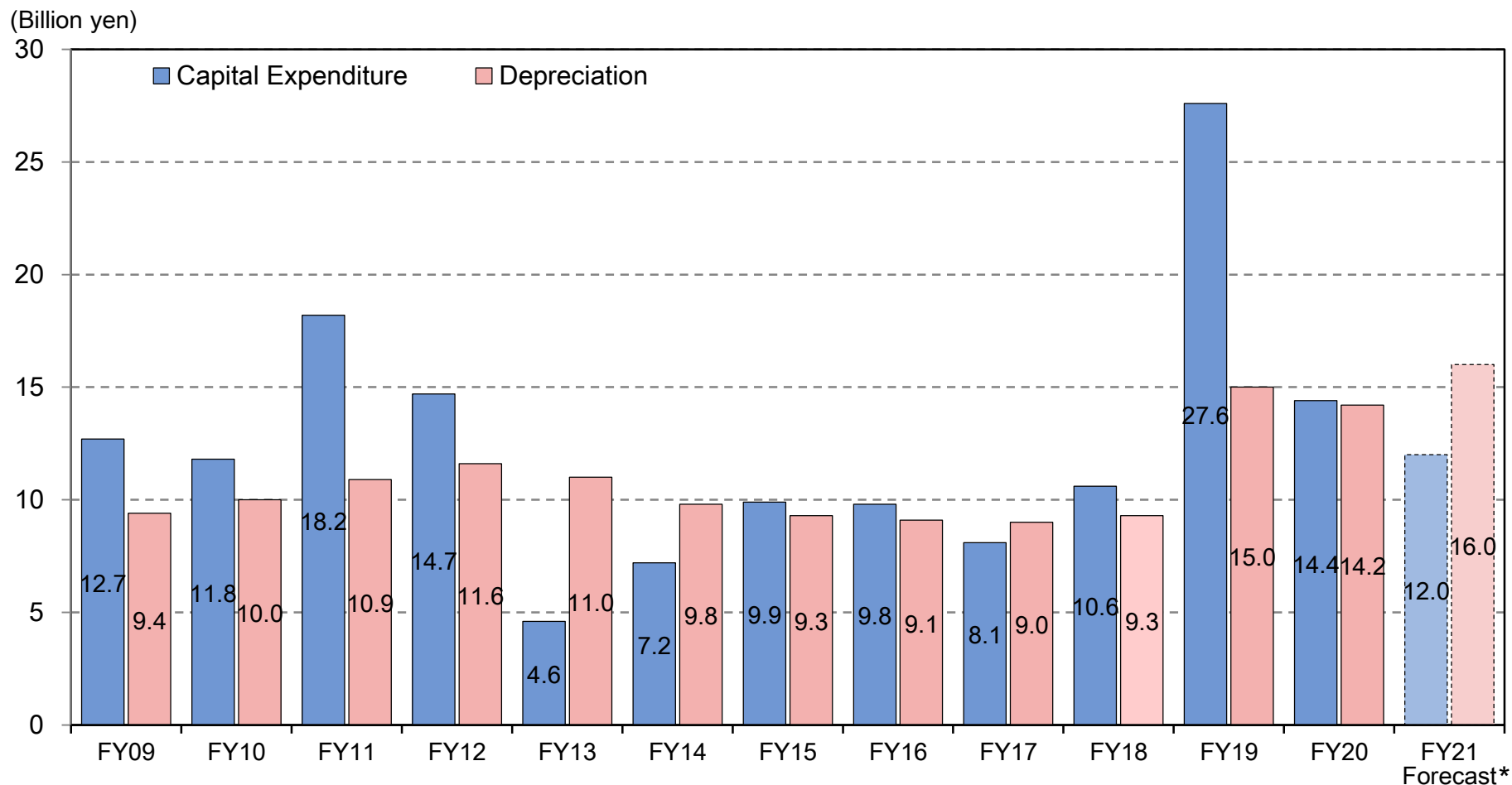


*1 FY21 forecast reflects numbers of OVAKO by 15 months from January 2021 to March 2022.

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

Forecast*1

Capital Expenditure and Depreciation



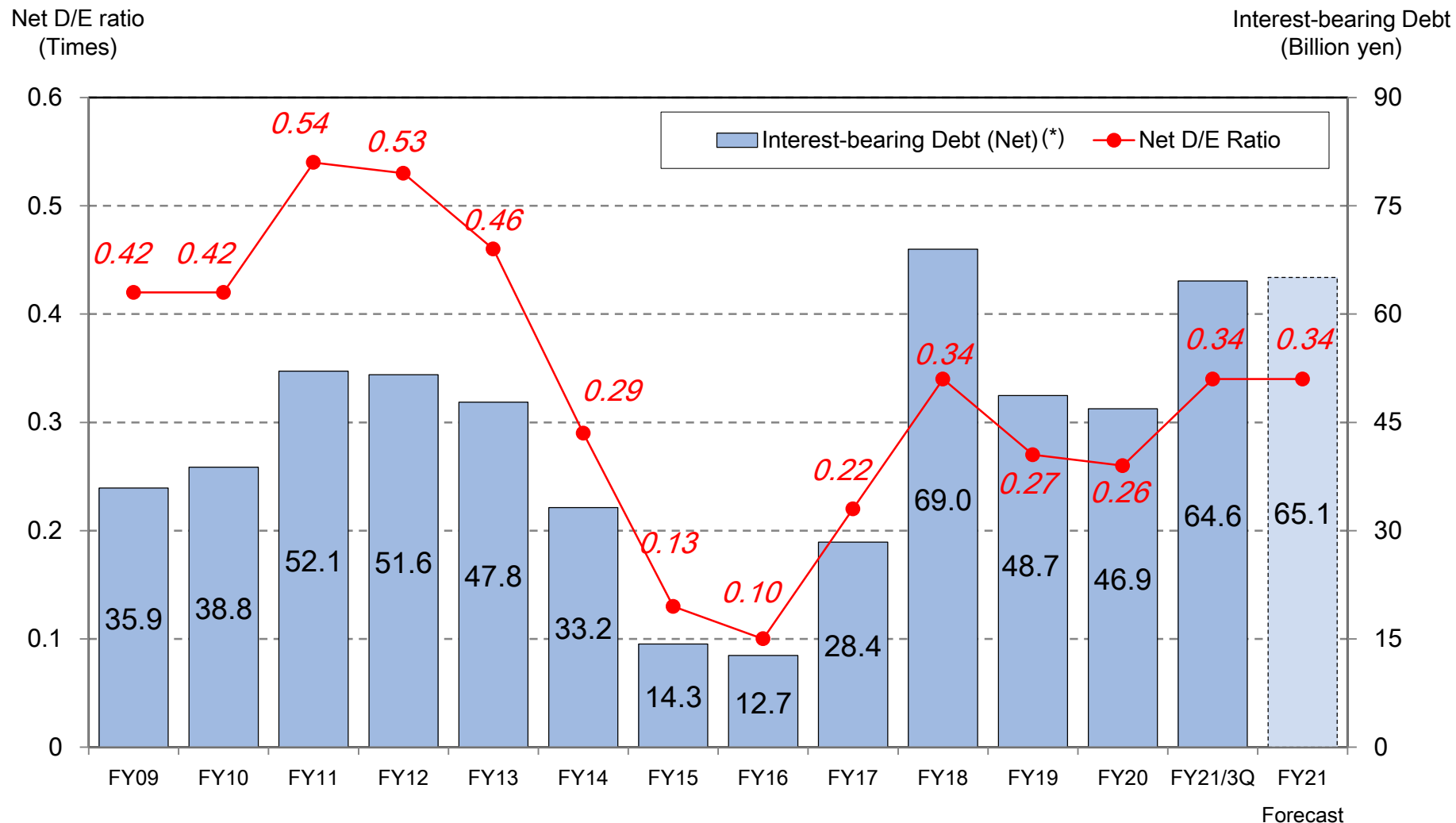
*Capital Expenditure of 12.0 billion yen in FY21 forecast includes

1) 5.1 billion yen for Sanyo, 2) 5.9 billion yen for OVAKO, 3) 0.6 billion yen for MSSS.

Depreciation of 16.0 billion yen in FY21 forecast includes

1) 8.1 billion yen for Sanyo, 2) 7.1 billion yen for OVAKO, 3) 0.0 billion yen for MSSS.

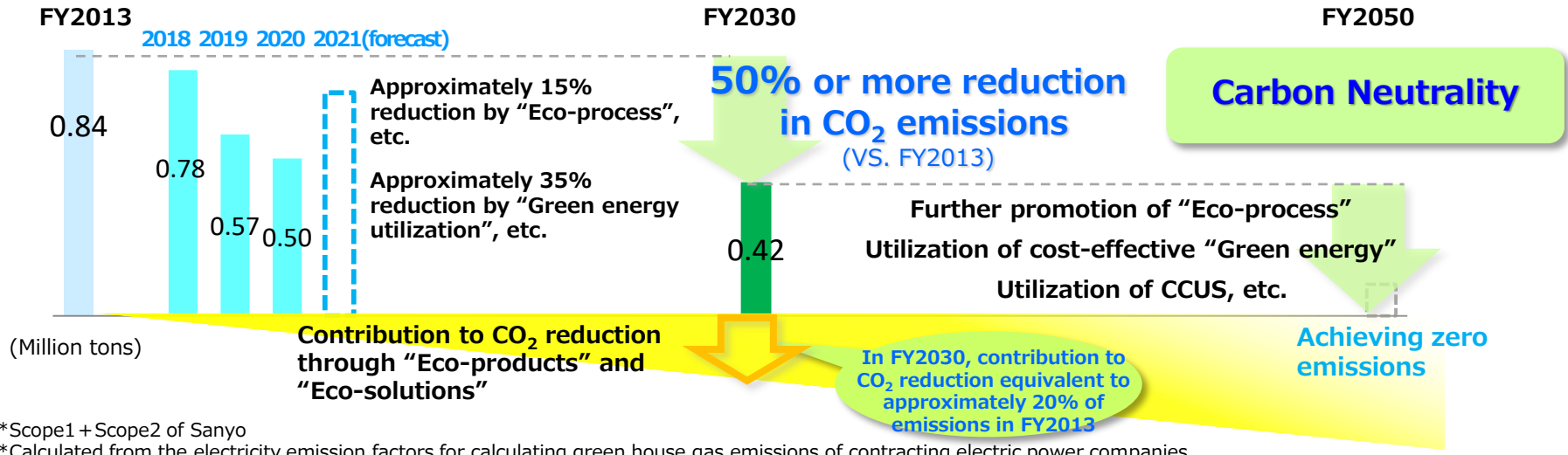
D/E Ratio



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

3. 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




Energy-saving heating furnace that uses regenerative burners

Company-wide energy-saving measures mainly in production

Development of manufacturing technology to improve energy efficiency


Green energy utilization



Utilization of carbon free electricity/fuels and natural energy

*Refer to Engagement by OVAKO

Eco-products



Developing long-life bearing steel for wind power generation

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

Eco-solutions

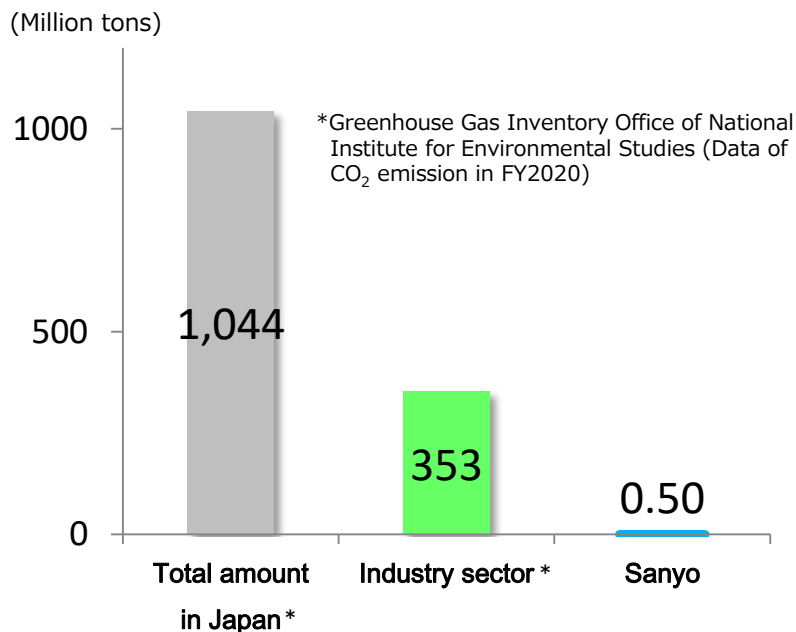


Sharing technologies among group members

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

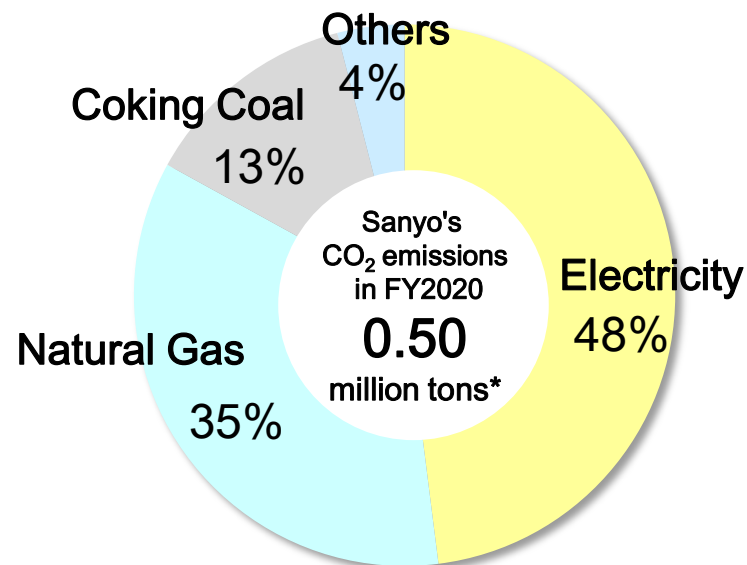
Basic Consideration to Carbon Neutrality

Amount of CO₂ emissions in FY2020



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



*Scope 1+2 of Sanyo

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”

In particular, Sanyo is 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

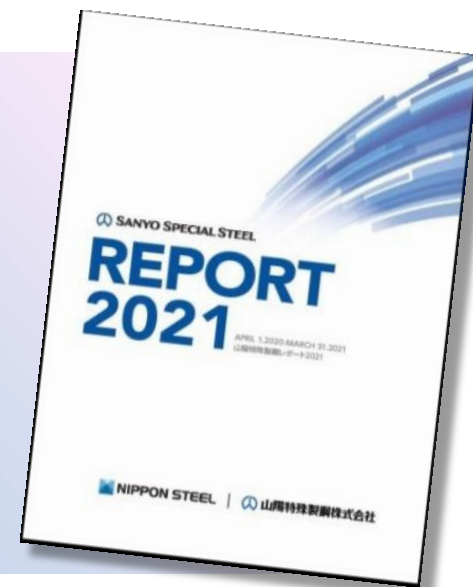
Sanyo aims to continuously reduce CO₂ emissions at all social stages through “Eco-products” by fully utilizing its advanced and innovative technology.

Publishing "SANYO REPORT" (Announced on November 11, 2021)

Considering the social needs to achieve the long-term goals of the Paris Agreement, Sanyo Special Steel has expressed its engagement for the TCFD Recommendations.

Climate-related information in accordance with TCFD recommendations has been published in "Sanyo Special Steel Report 2021".

TCFD : Task Force on Climate-related Financial Disclosures

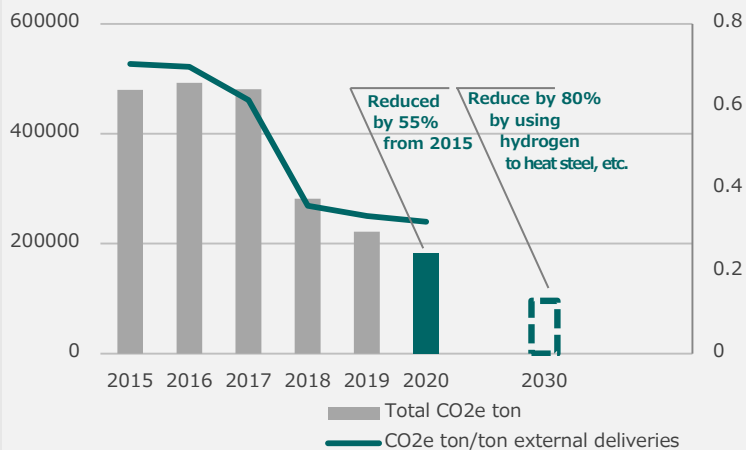


- ✓ We carried out some analysis by examining long-term impacts through 2050 on Sanyo Group, by referring to the several climate change scenarios (a 2°C or lower scenario and a 4°C scenario).
- ✓ The reports includes numbers of CO₂ emissions generated in the production (Scope 1 and Scope 2) at Sanyo Special Steel and emissions in the supply chain (Scope 3), in accordance with the Green Value Chain Platform Formula by the Ministry of the Environment.

Engagement to Carbon Neutrality by OVAKO

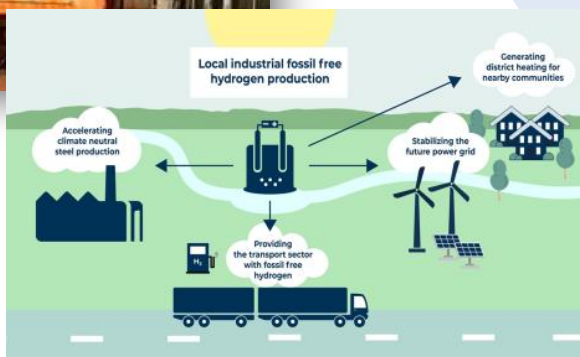
Green house gas emissions from operations

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

Carbon neutral in production from January 2022

2020

April 2020

June 2021

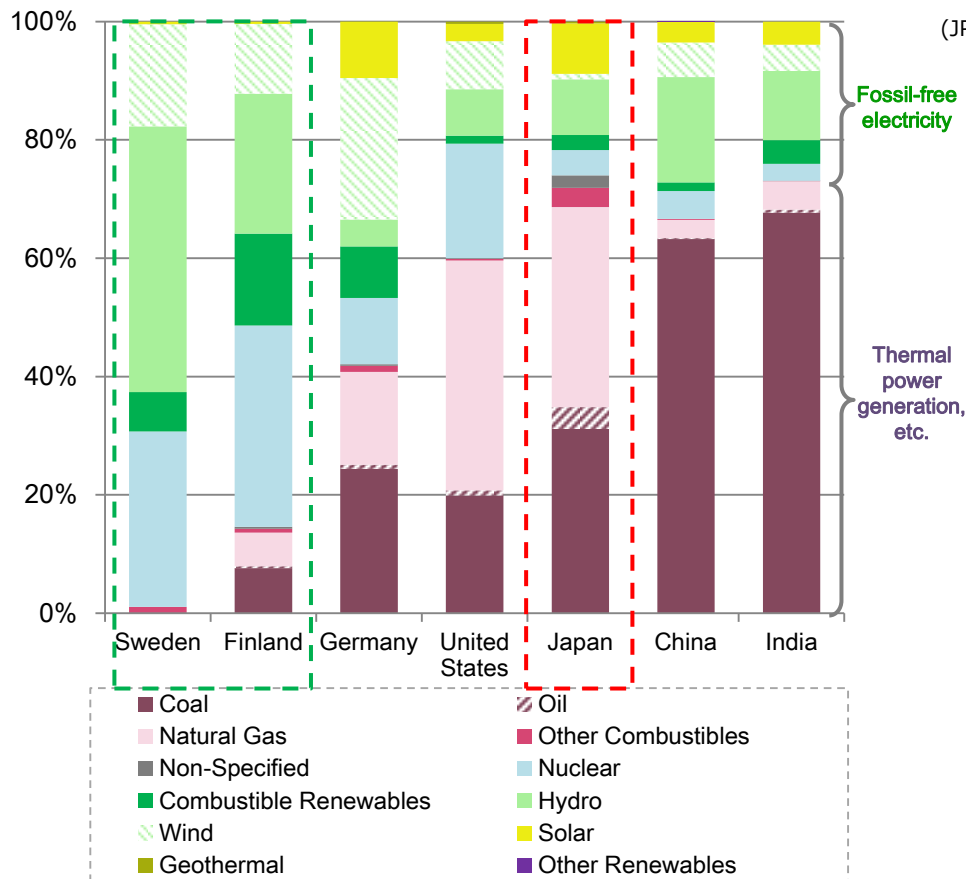
January 2022

OVAKO has achieved carbon neutral in production by utilizing carbon offset program

- ✓ OVAKO has utilized carbon offset program to become carbon neutral from Jan. 2022.
- ✓ OVAKO has introduced climate surcharge.
- ✓ OVAKO will continue promoting actual reduction of CO₂ emissions in production.

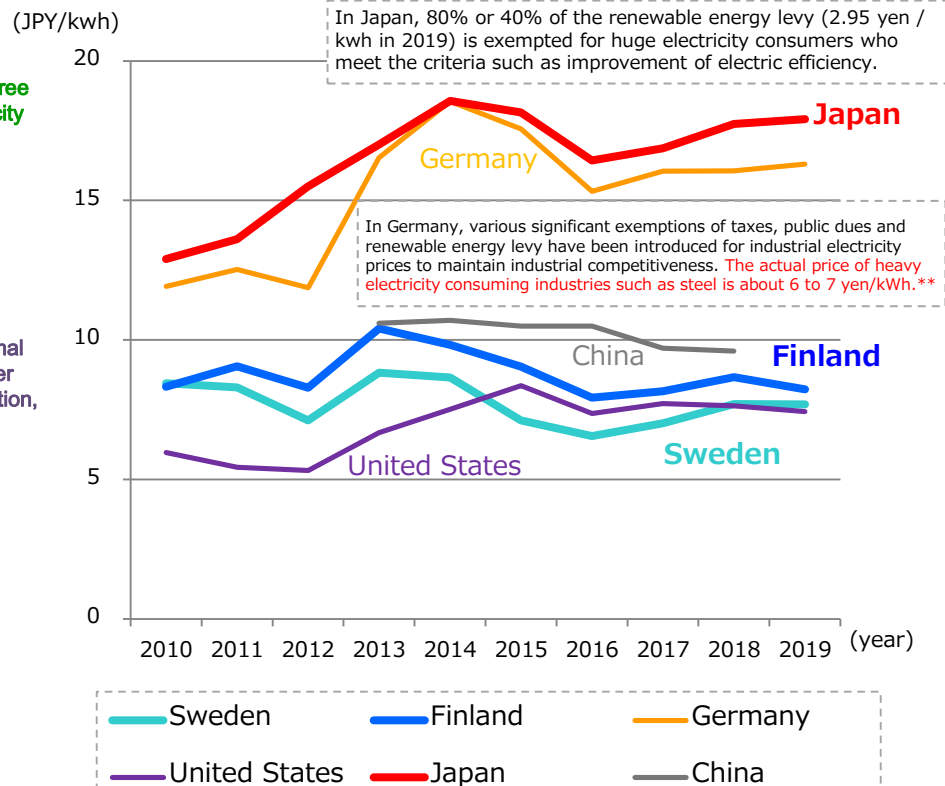
(Reference) Electricity Mix and Prices of major Countries

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.

4. Topics

(1) Notice Regarding Transition to a Company with Audit & Supervisory Committee

(January 27, 2022)

The Board of Directors has resolved to make a transition from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee subject to a proposal for requisite amendments to the Articles of Incorporation being approved at the 110th General Meeting of Shareholders to be held in June 2022.

■ Purpose

- ✓ Expediting management decision-making
- ✓ Enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies
- ✓ Enhancing the supervisory function of the Board of Directors over management

The Company has been continuously striving to enhance its corporate governance in order to achieve sound and sustainable growth of the group and medium- to long-term improvement of its corporate value in response to the delegation of responsibilities by and trust from all of its stakeholders, including shareholders and business partners.

Topics

ESG

(2) Selected “Prime Market” in Tokyo Stock Exchange new market segment

(November 30, 2021)

✓ The Board of Directors has resolved to select the Prime Market on November 30, 2021

✓ The new market segment will start on April 4, 2022

Prime Market

From 2022/4/4

The market oriented to companies which center their business on constructive dialogue with global investors

Standard market

Growth market

[Market Segment after Review]

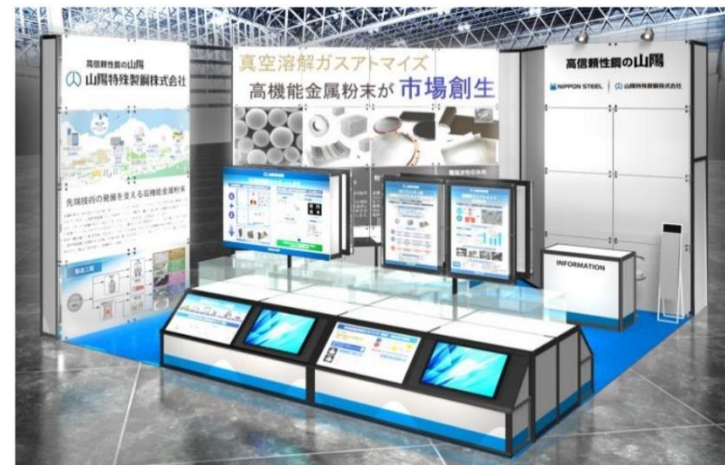
Others

(3) Exhibiting at the Highly-functional Material Expo

(December 8-10, 2021)

Exhibits by Sanyo :

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



(4) Lectures at educational institutions

~ Commitment to foster the next generation essential for steel industry ~

■ Lecture at Osaka University (Sponsored by the Iron and Steel Institute of Japan)

(December 1, 2021)

- ✓ About 100 university students participated in this lecture.
- ✓ Lecture subject; “Enhancement of Technical Innovation and Advantage of Japanese Special Steel”.
- ✓ Presented by Director of R & D department.

■ Classes at elementary school in Himeji (December 6, 2021)

- ✓ Lessons on special steel, SDGs, and carbon neutrality.

■ Lecture on special steel at Industrial High School in Himeji

(December 16, 2021)

- ✓ About 80 students participated in this lecture.
- ✓ Presentation about manufacturing process, characteristics, usage and future vision of Special Steel.



[Lecture at Osaka University]



[Class in Elementary school]

5. 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 is **"the impact of changing the fiscal year end of OVAKO"**.

The impact on consolidated ordinary income is **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.

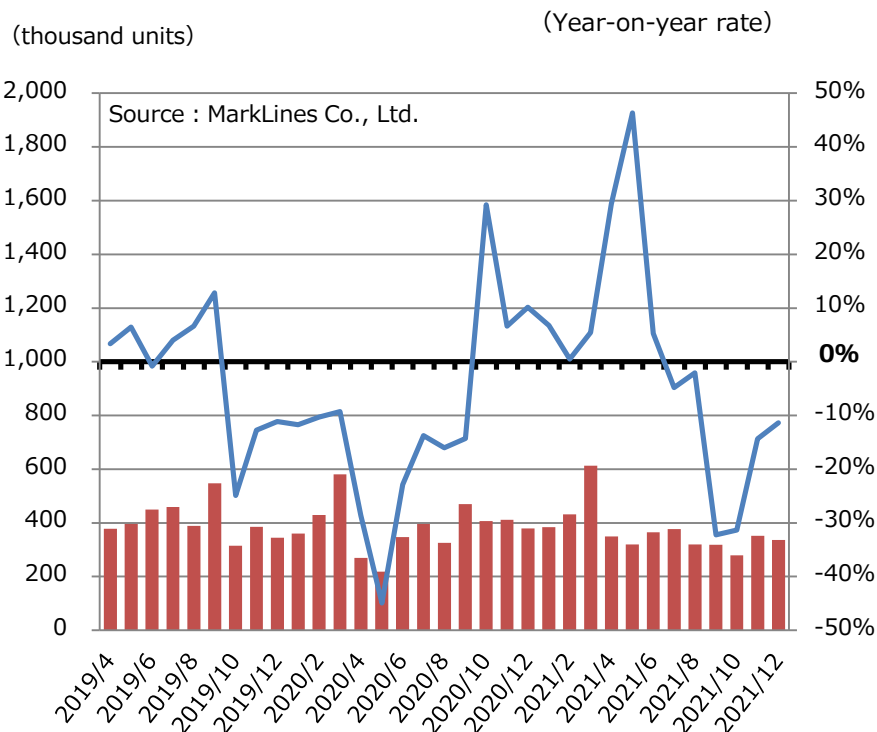
Impact of change

(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.

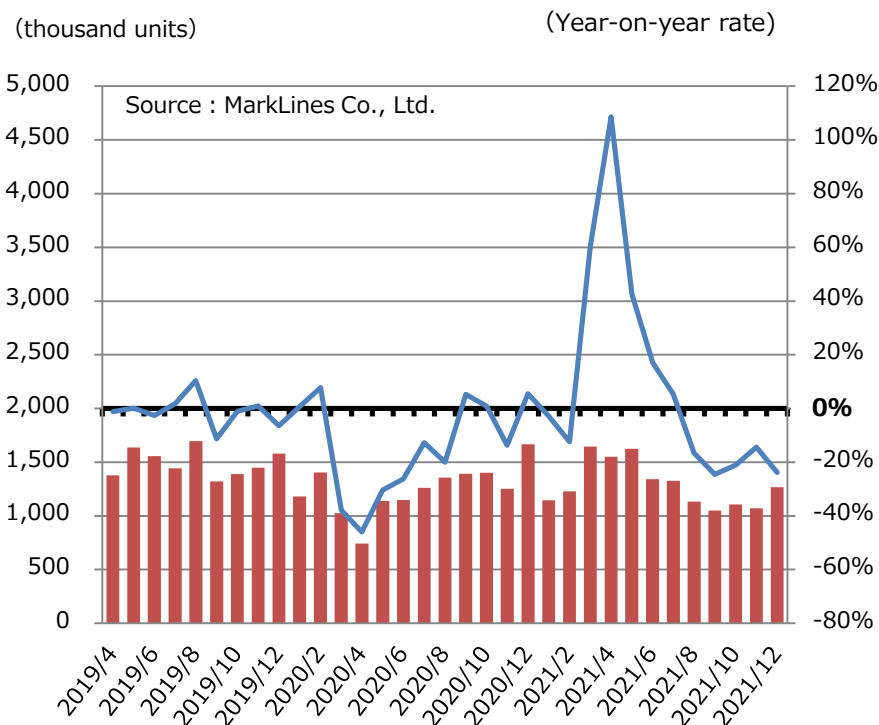
Trends in Automobile Market

Units of automobile sales in Japan



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
 2021/12 ; -11.4% on YoY basis

Units of automobile sales in U.S.



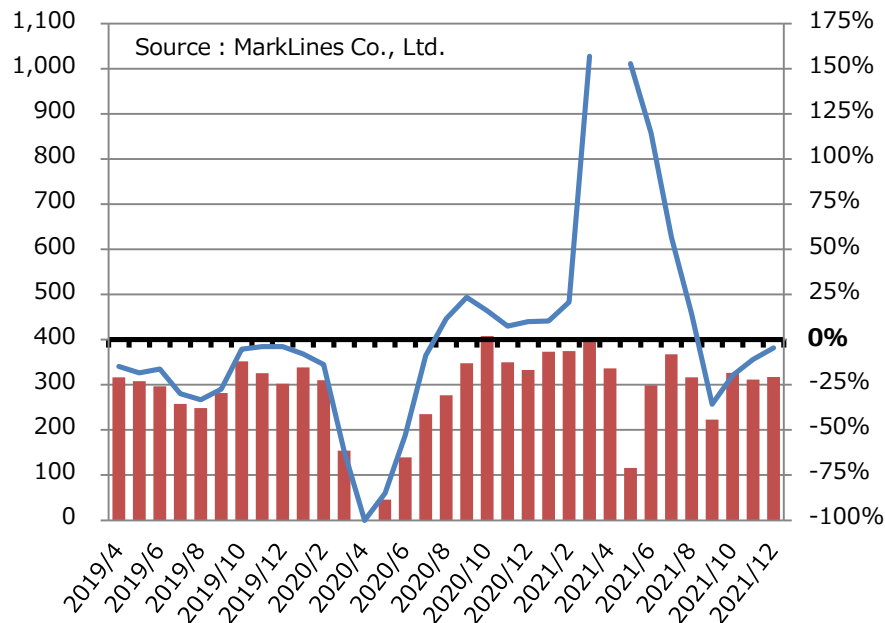
2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
 2021/4 ; +108.6% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
 2021/12 ; -23.9% on YoY basis

Trends in Automobile Market

Units of automobile sales in India

(thousand units)

(Year-on-year rate)



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

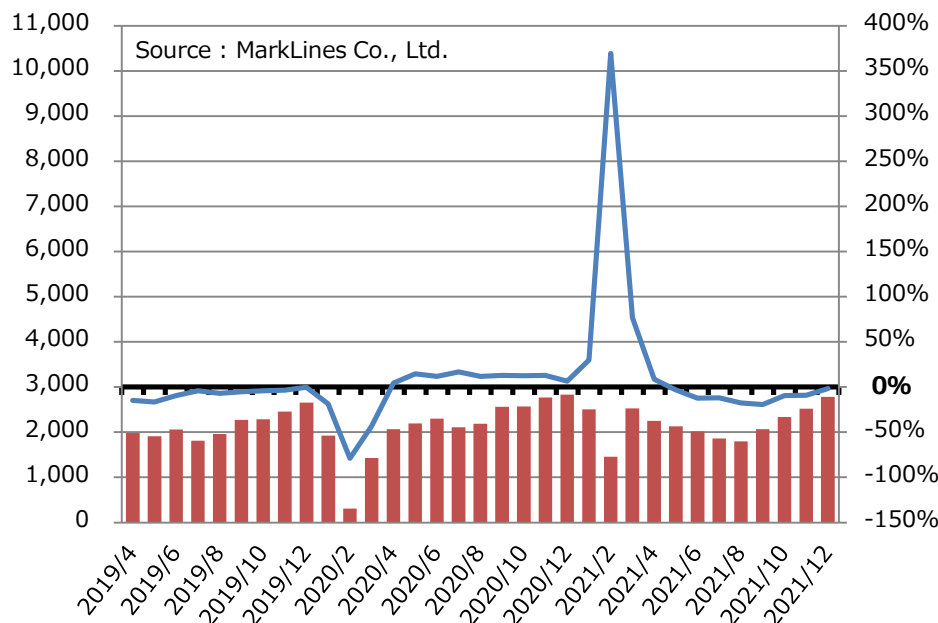
2021/5 ; sales decrease resulting from re-expansion of COVID-19

2021/12 ; -4.6% on YoY basis

Units of automobile sales in China (Factory shipment base)

(thousand units)

(Year-on-year rate)



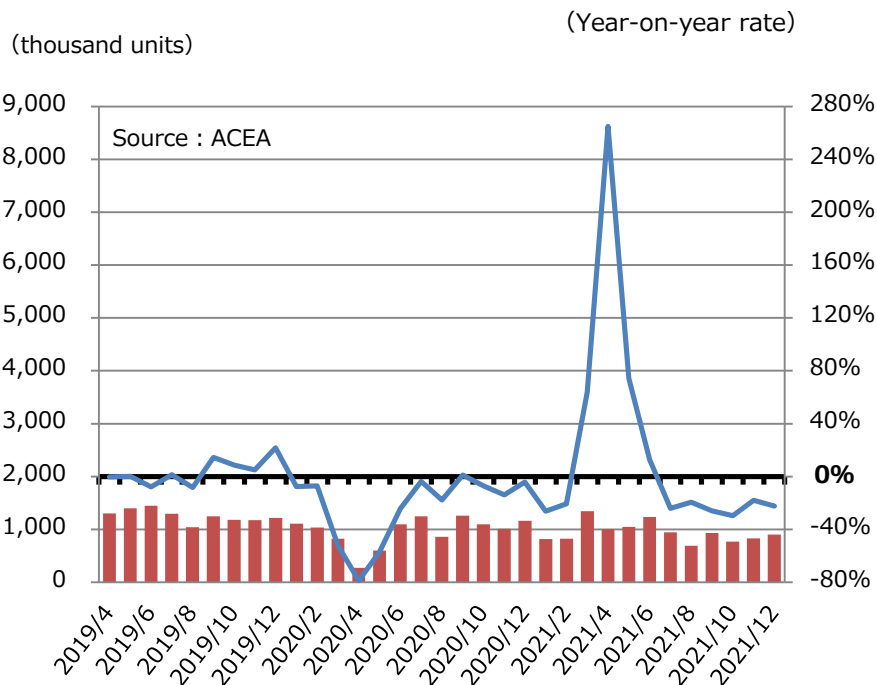
2020/2~ ; bottomed out and easing decline of sales due to COVID-19 impact

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

2021/12 ; -1.6% on YoY basis

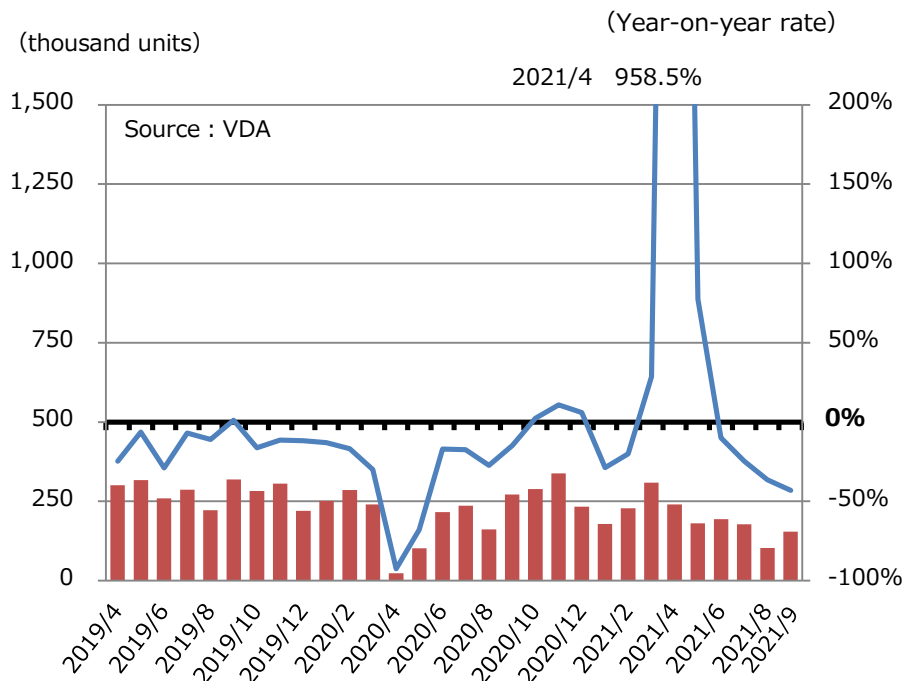
Trends in Automobile Market

Units of automobile sales in Europe



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
 2021/12 ; -22.3% on YoY basis

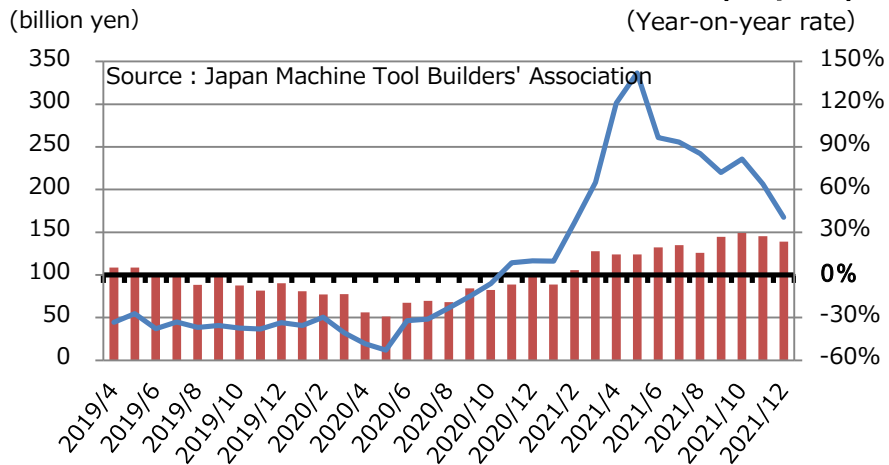
Units of automobile export from Germany



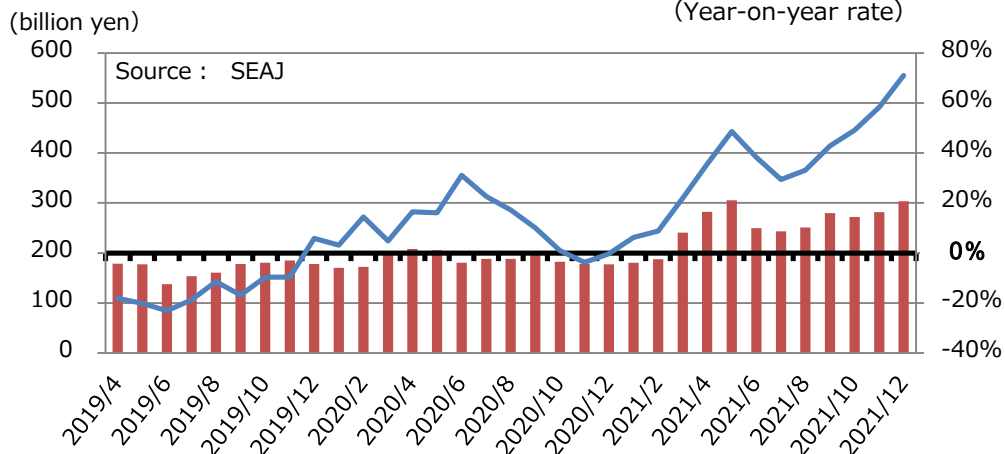
2020/4 ~ ; bottomed out and easing decline of export due to COVID-19 impact
 2021/4 ; +958.5% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
 2021/9 ; -43.1% on YoY basis

Trends in Industrial Machinery and Construction Machinery Market

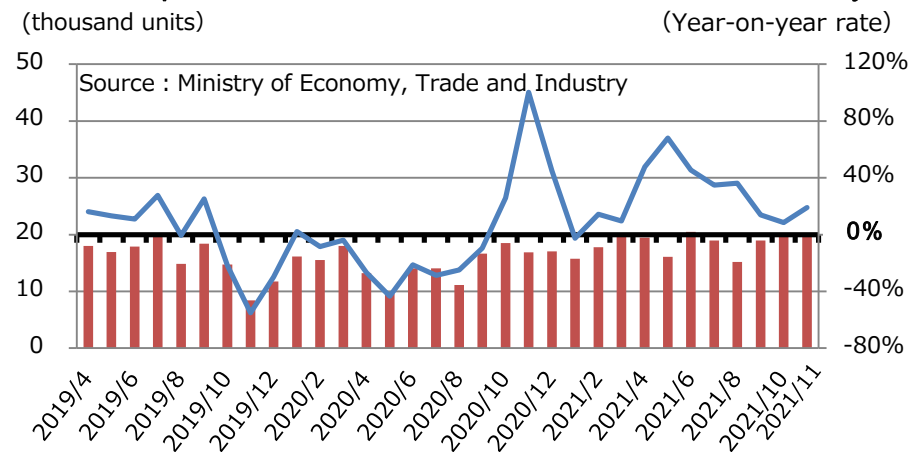
Sales amount of machine tool orders(Japan)



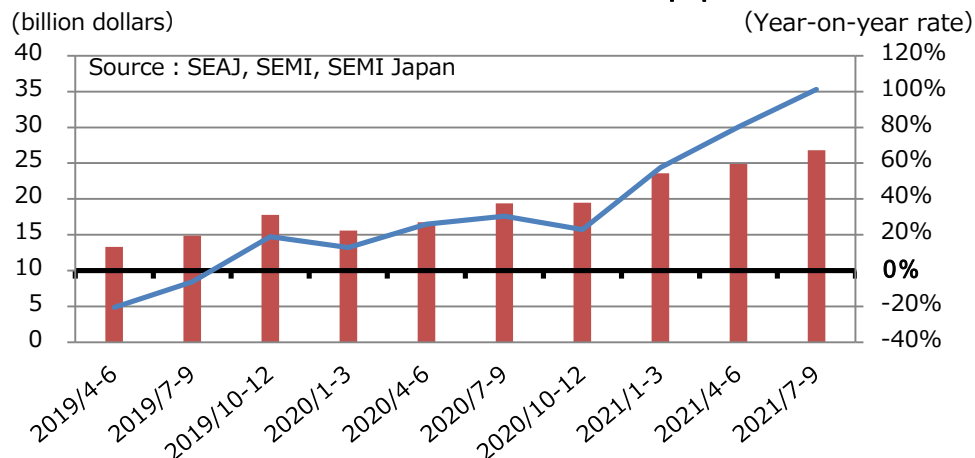
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery



Sales amount of world wide semiconductor equipment



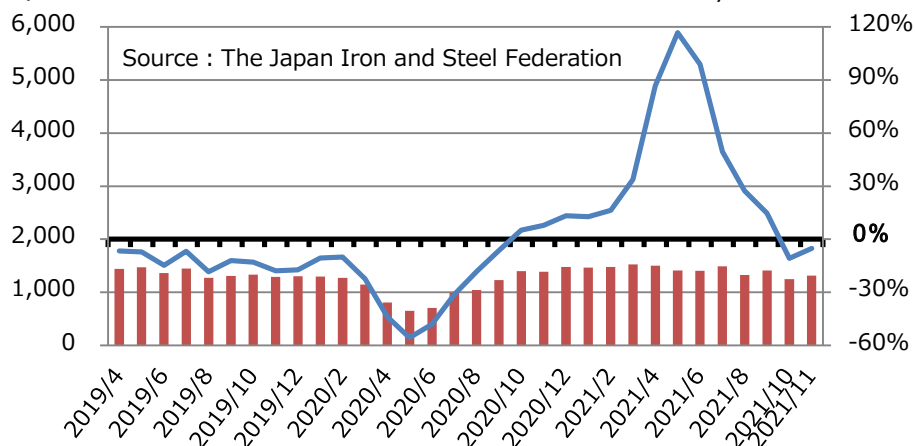
Machine tools 2020/5 ; -53% on YoY basis due to COVID-19 impact
2021/12 ; +40.5% on YoY basis

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 & 2021/12 ; +71.0% on YoY basis

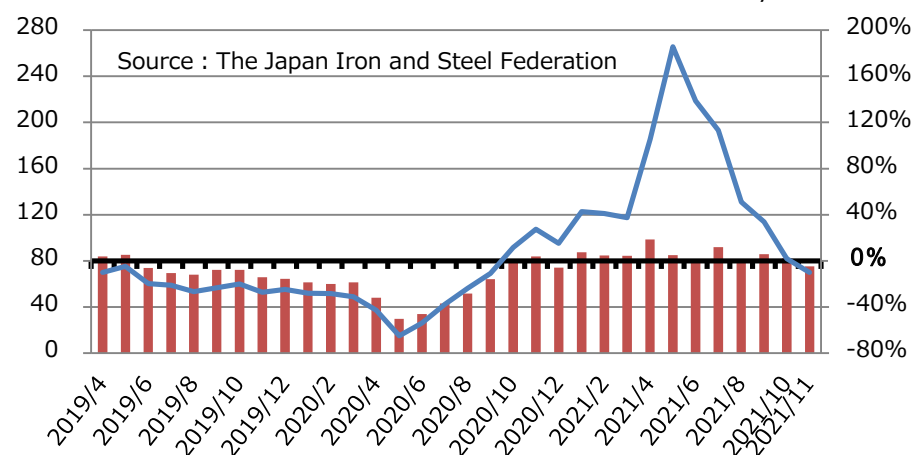
Construction machinery 2020/2~ continuous drop due to COVID-19 impact & 2020/10~; recovery of demand in China and Europe & 2021/11 ; +19.2% on YoY basis

Trends in Special Steel Market

Volume of order booked (Specialty steel products)
(thousand tons) (Year-on-year rate)



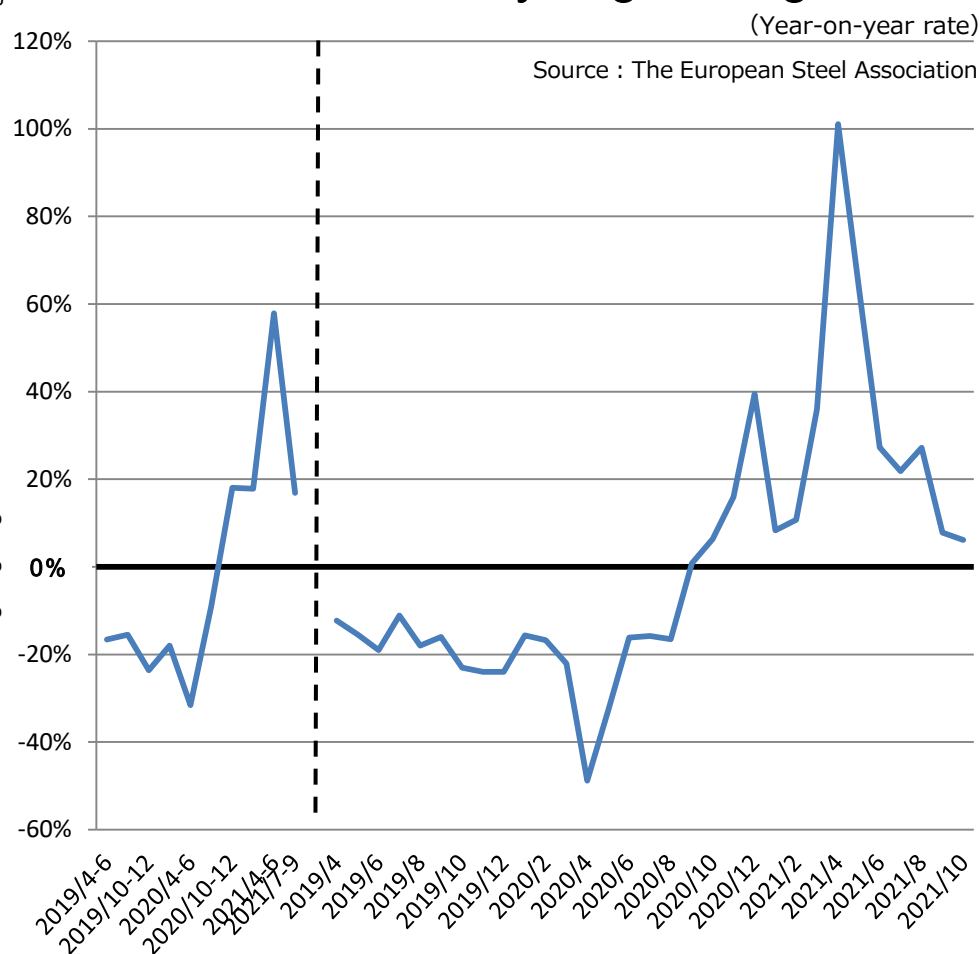
Volume of order booked (Bearing steel products)
(thousand tons) (Year-on-year rate)



Bearing steel

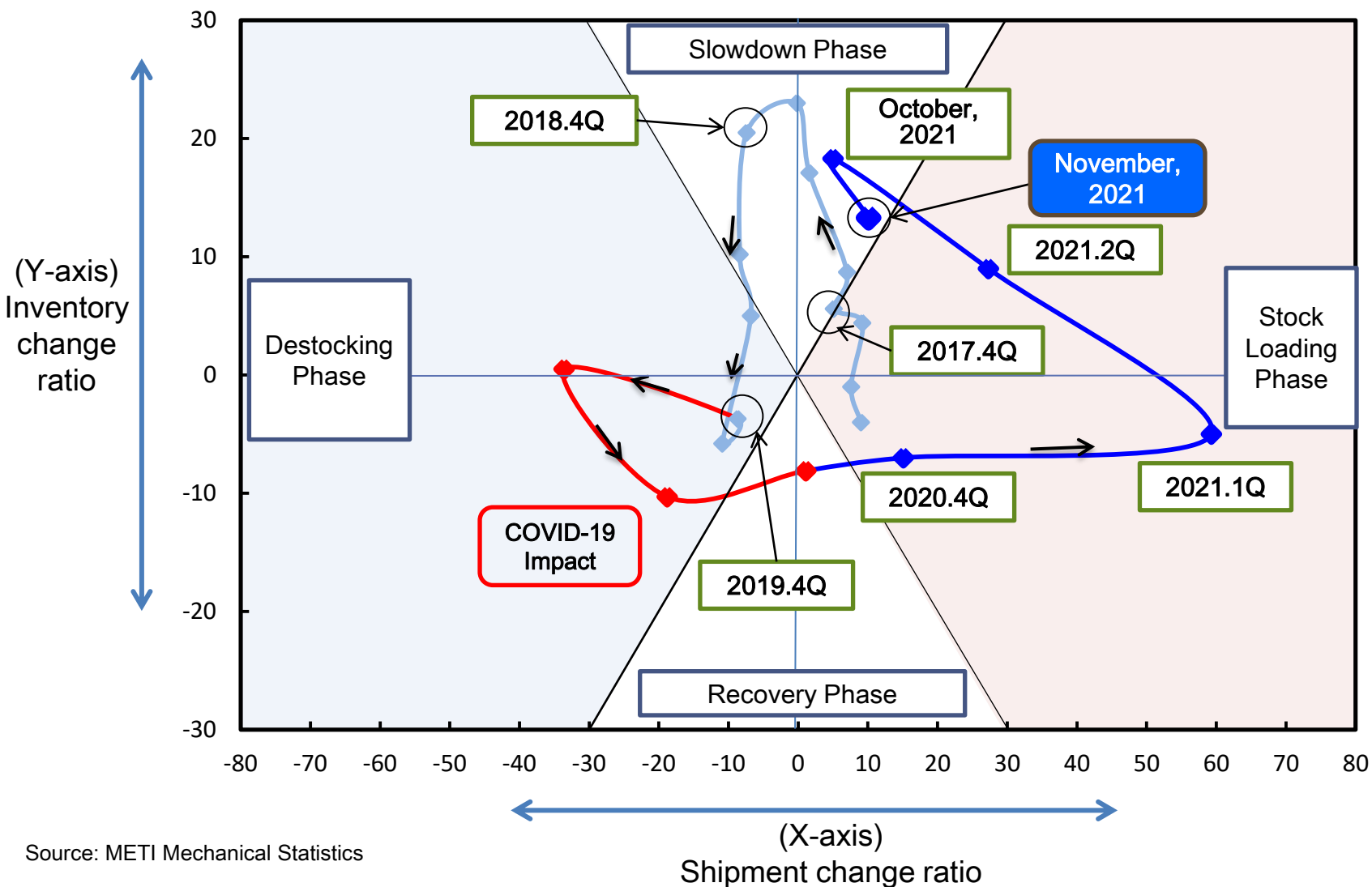
- 2020/5~ ; bottomed out and easing decline of sales due to COVID-19 impact
- 2021/11 ; -10.1% on YoY basis, resulting from reduced auto production

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
- 2021/10 ; +6.1% on YoY basis

Inventory Circulation Diagram (Bearing Products)



Details of Statements of Income

Reference

(FY21/1~3Q vs. FY20/1~3Q)

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

	FY21 1 ~ 3Q(A)	FY20 1 ~ 3Q(B)	Change(B) → (A)	
			Amount	Ratio(%)
Sales Volume	1,542	967	+575	+59.5
(Sanyo)	763	478	+285	+59.6
(OVAKO) ^{*1}	691	427	+264	+62.0
(MSSS) ^{*2}	88	62	+26	+41.7
Net Sales	269.3	148.7	+120.6	+81.1
(Sanyo)	123.1	71.1	+51.9	+73.0
(OVAKO)	129.3	65.4	+63.8	+97.5
(MSSS)	12.3	7.0	+5.3	+75.6
Operating Income	14.4	-6.5	+20.9	-
(Sanyo)	6.9	-0.8	+7.8	-
(OVAKO)	8.9	-2.1	+11.0	-
(MSSS)	0.6	-0.9	+1.4	-
(Amortization of goodwill) ^{*1}	-2.7	-1.9	-0.8	-
Ordinary Income	14.5	-6.7	+21.2	-
(Sanyo)	7.5	-0.5	+8.0	-
(OVAKO)	8.6	-2.4	+11.0	-
(MSSS)	0.3	-1.1	+1.4	-
(Amortization of goodwill)	-2.7	-1.9	-0.8	-
Net Income ^{*3}	10.2	-5.9	+16.0	-
Earnings Per Share	186.4	-107.4	+293.8	-
Operating Income before amortization of goodwill	17.1	-4.6	+21.7	-
Ordinary Income before amortization of goodwill	17.2	-4.8	+22.0	-
Net Income before amortization of goodwill	12.9	-3.9	+16.8	-
Earnings Per Share before amortization of goodwill	235.8	-72.1	+308.0	-

*1 The consolidated accounting periods for OVAKO including Amortization of goodwill are as follows, FY2021:12 months(Jan. 2021 to Dec. 2021), FY2020 : 9 months (Jan. 2020 to Sep. 2020)

*2 The consolidated accounting period for MSSS is Jan. to Sep. *3 Profit attributable to owners of parent

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 2H Previous Forecast	FY21 Previous Forecast (D)	Change (D) → (C)
Sales Volume	1,079	928	2,007	930	2,009	-2
(Sanyo)	511	499	1,010	510	1,021	-11
(OVAKO) *1	511	366	877	351	862	+15
(MSSS) *2	57	62	119	69	126	-6
Net Sales	183.3	176.7	360.0	166.7	350.0	+10.0
(Sanyo)	79.6	88.6	168.2	89.5	169.0	-0.8
(OVAKO)	93.0	75.5	168.5	60.6	153.6	+14.9
(MSSS)	7.7	9.7	17.4	10.1	17.8	-0.4
Operating Income	10.4	5.5	15.9	3.7	14.1	+1.8
(Sanyo)	4.8	2.9	7.7	1.5	6.3	+1.4
(OVAKO)	7.0	3.3	10.3	2.7	9.7	+0.6
(MSSS)	0.3	0.4	0.7	0.5	0.8	-0.1
(Amortization of goodwill) *1	-2.0	-1.4	-3.4	-1.4	-3.4	-
Ordinary Income	10.5	5.5	16.0	3.5	14.0	+2.0
(Sanyo)	5.2	3.1	8.3	1.6	6.8	+1.5
(OVAKO)	6.8	3.2	10.0	2.4	9.3	+0.8
(MSSS)	0.2	0.3	0.4	0.3	0.4	-
(Amortization of goodwill)	-2.0	-1.4	-3.4	-1.4	-3.4	-
Net Income *3	7.3	3.5	10.8	1.8	9.1	+1.7
Earnings Per Share	133.8		198.2		167.0	+31.2
Operating Income before amortization of goodwill	12.4	6.9	19.3	5.1	17.5	+1.8
Ordinary Income before amortization of goodwill	12.5	6.9	19.4	4.9	17.4	+2.0
Net Income before amortization of goodwill	9.3	4.9	14.2	3.2	12.5	+1.7
Earnings Per Share before amortization of goodwill	170.8		260.6		229.4	+31.2

*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

TCFD Scenario Analysis

Considering the social needs to achieve the long-term goals of the Paris Agreement, Sanyo Special Steel has expressed its engagement for the TCFD Recommendations.

Climate-related information in accordance with TCFD recommendations has been published in “Sanyo Special Steel Report 2021”.

TCFD : Task Force on Climate-related Financial Disclosures



Major climate-related events

Assumed impacts

Sanyo Special Steel's strategies

2°C or lower scenario

Carbon neutral-related responses by customers



- Increase in demand for EAF steel, which emits relatively less CO₂ and materials, technologies and products that lead to CO₂ emission reduction at users (long-life bearing steel, hydrogen resistant stainless steel, etc.)

- Promote development of eco-products that contribute to CO₂ emission reduction in the parts manufacturing stage at users and during usage as end products

Change in demand structure due to shift to EV, increasing needs for smaller and lighter automobile parts



- Rising needs for our highly reliable special steel products along with EV shift
- Increasing demand for our highly reliable special steel products that have properties to contribute to making parts smaller and lighter

- With highly clean steel, our strength, at the core, accurately respond to new customer requests and environmental issues resulting from changes in social and industrial structures
- Strengthen supply chain competitiveness in collaboration with users



- Decline in special steel consumption per automobile







Growth of wind power generation market due to expansion of renewable energy



- Increase in demand for our highly reliable bearing steel that leads to reduced maintenance and failure prevention of wind power generation facilities

- Shed light on the fatigue mechanism under environments unique to wind power generation and promote development and market introduction of bearing steel for wind power generation that realizes long life and high reliability

TCFD Scenario Analysis

Major climate-related events			
Assumed impacts	Sanyo Special Steel's strategies		
2 °C or lower scenario	Intensified competition for mineral resource due to changes in electric power and storage batteries demand		
	 Opportunity	<ul style="list-style-type: none"> Increasing needs for our high-performance materials that do not rely on rare metals 	<ul style="list-style-type: none"> Promote development and offering of high-performance products that save on rare resources (ECOMAX series, Co-free maraging steel powder, etc.)
	 Risk	<ul style="list-style-type: none"> Instability in procurement of auxiliary ingredients due to restrictions on rare metal exports 	<ul style="list-style-type: none"> Ensure and expand sources for auxiliary ingredients Further enhance procurement supply chain management
	Introduction of carbon pricing including carbon tax		
	 Risk	<ul style="list-style-type: none"> Cost increase of electric power and fuels 	<ul style="list-style-type: none"> Promote CO₂ emission reduction of our group with eco-solutions, such as eco-processes and green energy utilizations Promote procurement of inexpensive carbon-free electricity and win the understanding of users regarding the value of low carbon and decarbonization of steel and necessary costs, and reflect them on to selling price, thereby securing an appropriate margin Strengthen cost competitiveness of the group through synergies with Nippon Steel and OVAKO
	 Opportunity	<ul style="list-style-type: none"> Relative improvement in superiority of electric furnaces, which have comparatively less CO₂ emissions, and especially of OVAKO which is more advanced in terms of decarbonization 	
Shift to EAF for steel production and increased use of scrap iron			
 Risk	<ul style="list-style-type: none"> Intensifying global competition to acquire superior scraps 	<ul style="list-style-type: none"> Expand and ensure procurement sources for main raw materials and optimize raw materials mix Reduce procurement costs for raw materials and fuels in collaboration with Nippon Steel Group 	
4 °C scenario	More frequent and serious weather disasters, Rising average temperature, Decline in water resources and rising sea level		
	 Risk	<ul style="list-style-type: none"> Damage on production facilities from serious weather disasters, inundation of business bases and warehouses in coastal areas, and obstacles to procurement of raw ingredients, materials and equipment as well as product supply Health hazard such as heat stroke and increased risks of facility failures Hindrance to operations caused by decline in stability of water supply 	<ul style="list-style-type: none"> Continuously improve BCM (business continuity management), including enhancing disaster prevention management and natural disaster countermeasures Ensure measures to raise funds for the recovery by purchasing insurance and utilizing group CMS (implemented) Enhance procurement supply chain management, implement water disaster countermeasures assuming high tides and other disasters and maintain water sources for own industrial use (continued)

CO₂ Emissions in the Value Chain

The CO₂ emissions generated in the production (Scope 1 and Scope 2) at Sanyo Special Steel and the CO₂ emissions in the supply chain (Scope 3) calculated utilizing the Green Value Chain Platform by the Ministry of the Environment and other information are as follows.

(1,000t-CO₂)

		2018FY	2019FY	2020FY
Scope1	Direct emissions from fuel usage at the company	320	269	244
Scope2	Indirect emissions from usage of energy produced at other companies	457	305	254
Scope1+2	emissions	777	574	498
Scope3*	Other indirect emissions equivalent to the company's supply chain			
	(i) Product or service purchased	344	265	243
	(ii) Capital goods	28	67	31
	(iii) Fuels and energy-related activities not included in Scope 1 or 2	139	115	101
	(iv) Upstream transportation and delivery	26	24	19
	(v) Waste generated from business	4	4	3
	(vi) Business trips	0	0	0
	(vii) Commuting by employees	3	3	3
	(xv) Investment **	111	304	260

* Unit value database for accounting of GHG emissions throughout the supply chain by the Ministry of the Environment used for Scope3 calculation.

** Calculated by multiplying the emissions of major subsidiaries, OVAKO (from FY2019), MSSS, Santoku Tech, with capital ratio.



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.