



Overview of Business Results

for the Fiscal Year Ending March 31, 2023
(April 2022 → March 2023)

April 28, 2023

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



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

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1 . FY2022 Results and FY2023 Forecast

Outline of Statements of Income

1. Outline of FY2022 Results

Ordinary income : 28.9 billion yen (+7.2 billion yen)

Ordinary income excluding impact of OVAKO's transient factors : 19.3 billion yen (actual same level as FY2021)

- ▶ Profit on YOY basis increased due to improved profit margin at Sanyo and OVAKO, mainly through increase of sales prices by applying iron scrap and energy surcharge and improvement of product mix, partly offset by increase of raw material and fuel prices. The profit margin improvement at OVAKO includes transient factors as well.

(Reference) FY22 Sales Volume : · · · for OVAKO; Apr. 2022 to Mar. 2023, for SSMI; Jan. to Dec. 2022

	FY22 (A)	FY21 (B)	Change (B) → (A)	Previous Forecast ('23/2/1) (C)	Change (C) → (A)
Sales Volume (Thousand tons)	1,607	1,995	-387	1,585	+22
(Sanyo)	894	1,002	-108	894	-0
(OVAKO)	608	873	-265	586	+22
(SSMI)	105	119	-14	105	+0

2. Statements of Income (FY22 vs. FY21, FY22 Previous Forecast)

(Unit : Billion yen)

	FY22 (A)	FY21 (B)	Change (B) → (A)	Previous Forecast ('23/2/1) (C)	Change (C) → (A)
Net Sales	393.8	363.3	+30.6	387.0	+6.8
Operating Income	28.5	21.4	+7.1	22.0	+6.5
Ordinary Income	28.9	21.7	+7.2	22.0	+6.9
ROS	7.3	6.0	+1.3	5.7	+1.6
(Sanyo)	10.2	9.9	+0.3	10.5	-0.3
(OVAKO)	21.1	13.4	+7.7	14.0	+7.1
(SSMI) ^{*1}	-0.2	0.4	-0.6	-0.2	+0.0
(Amortization of goodwill)	-2.9	-3.4	+0.4	-2.9	-0.0
Net Income ^{*2}	20.7	15.3	+5.5	16.0	+4.7
Net Income before amortization of goodwill	23.7	18.6	+5.0	18.9	+4.8

(*1) SSMI has changed its name from MSSS in June, 2022.

(*2) Profit attributable to owners of parent

Business Environment

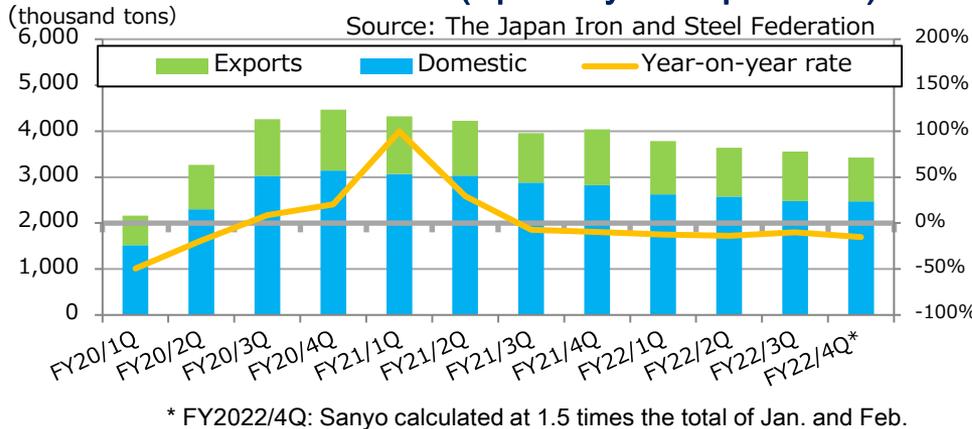
Demand Trends

Influence of destocking in the supply chain in addition to reduction of auto production partly due to semiconductor shortage have sustained. Production for construction and industrial machineries has remained stagnant. While auto production is expected to recover, the impact of inflation on the global economy is increasingly becoming a concern.

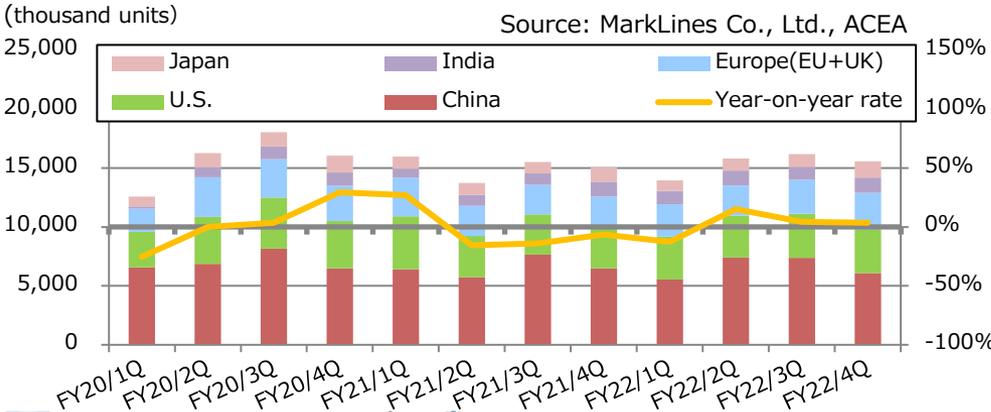
Raw Material and Fuel Prices

Raw material price trend remains still high, though the depreciation of the yen has halted. Energy prices have peaked out in FY2022/4Q and is expected to decline through FY2023.

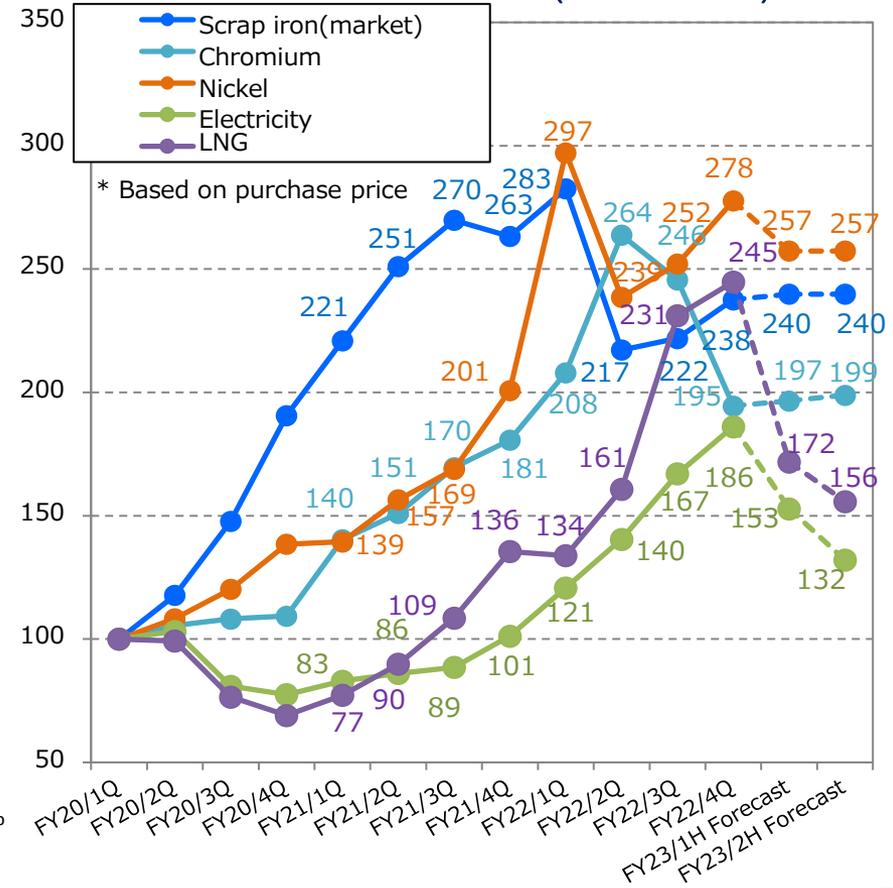
Volume of order booked (Specialty steel products)



Units of automobile sales



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



Business Forecast for FY2023 (announced on April 28, 2023)

1. FY2023 Outlook

Ordinary income in FY23 Forecast : 20.0 billion yen

(Compared to FY22 : -8.9 billion yen)

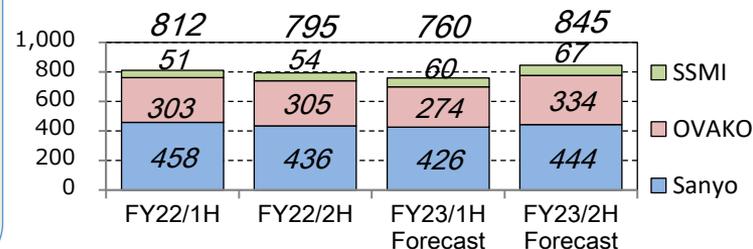
(Compared to FY22 excluding impact of OVAKO's transient factors : +0.7 billion yen)

• Sales volume is expected to be same level as FY22.

• We aim for ordinary income at the same level as FY22 by securing profit margin by reducing cost and applying surcharges despite being affected by the disappearance of impact of OVAKO's positive transient factors, soaring raw material and fuel prices and inflation impact of other materials.

• We will continue to improve the profitability of all business segments and entities and aim to further reinforce the business foundation.

(Reference) Sales Volume (thousand tons/H)



2. FY2023 Forecast

(Unit : Billion yen)

	FY23/1H Forecast (A)	FY23/2H Forecast (B)	FY23 Forecast (C)=(A)+(B)		FY22 (D)		Change (D)→(C)	
			Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	186.0	208.0	394.0	100.0	393.8	100.0	+0.2	+0.0
Operating Income	6.2	13.8	20.0	5.1	28.5	7.2	-8.5	-29.8
Ordinary Income	6.3	13.7	20.0	5.1	28.9	7.3	-8.9	-30.7
(Sanyo)	7.2	7.8	15.0	7.7	10.2	5.3	+4.8	+46.9
(OVAKO)	2.7	7.3	10.0	6.0	21.1	12.3	-11.1	-52.7
(SSMI)	0.3	0.4	0.7	2.7	-0.2	-	+0.9	-
(Amortization of goodwill)	-1.4	-1.4	-2.9	-	-2.9	-	+0.0	-
Net Income ^{*2}	4.0	10.0	14.0	3.6	20.7	5.3	-6.7	-32.5
Net Income before amortization of goodwill	5.4	11.4	16.9	4.3	23.7	6.0	-6.8	-28.6
Sales Volume (Thousand tons)	760	845	1,605	(per month) 133.8	1,607	(per month) 133.9	-2	(per month) -0.2
(Sanyo)	426	444	870	72.5	894	74.5	-24	-2.0
(OVAKO)	274	334	608	50.7	608	50.7	-	-
(SSMI)	60	67	127	10.6	105	8.8	+22	+1.8

(*1) The consolidated accounting period for SSMI is Jan. to Dec.

(*2) Profit attributable to owners of parent

Major assumptions after April 2023

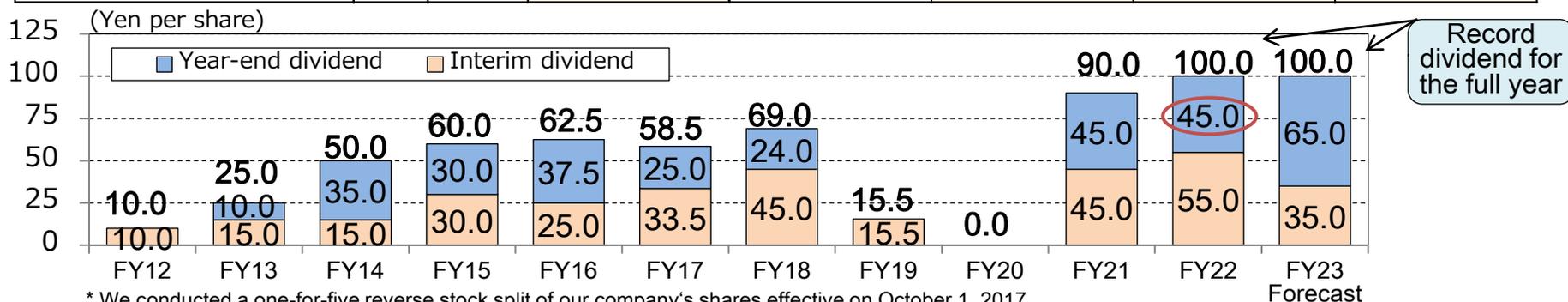
• Scrap iron 50,000 yen/t (H2 market price in Himeji area)

• Crude oil(Dubai) 90\$/BL • Exchange rate 130 yen/US\$, 140 yen/€

Dividend

Dividend for FY22 and Dividend Forecast for FY23

			FY22 1H (Result)	FY22 Full Previous Forecast (2023/2/1)	FY22 Full Confirmed amount	FY23 Forecast	
						1H	Full
Earnings Per Share(EPS)	A	¥/share	181.2	293.7	380.7	73.4	256.9
EPS before amortization of Goodwill	B	¥/share	207.5	346.9	434.4	99.1	310.2
Dividend	C	¥/share	55.0	90.0	100.0	35.0	100.0
Payout Ratio	C/B	%	26.5	25.9	23.0	35.3	32.2
	C/A	%	30.4	30.6	26.3	47.7	38.9



< Dividend Policy >

We take into account the dividend payout ratio and the financial requirements in relation to investments to enhance corporate value, etc.
Dividend payout ratio target : Around 30% of EPS before amortization of goodwill

Our actions to improve PBR

We are pursuing to deepen the consciousness for cost of capital and stock price.
Once finalized, we will disclose our concrete visions and actions.

2. Measures toward shift to EVs

Impact of the shift to EVs and our activities (I)

Structural changes in demand associated with the shift to EVs,
and growing need for smaller and lighter automotive parts, etc.

Decrease in special steel
consumption per automobile
(Engines and transmissions, etc.)

- Growing need for our highly reliable special steel products associated with the shift to EVs
- Increase in demand for our special steel products with properties that contribute to the size and weight reduction of parts

CASE*

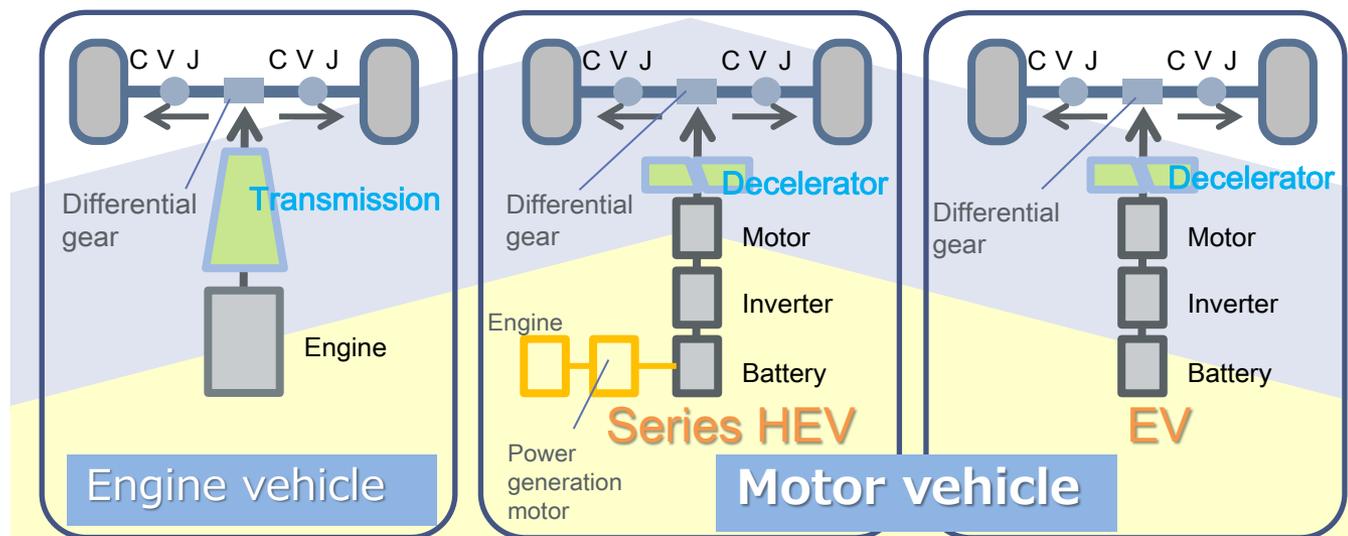
- ECOMAX Series contributes to quietness
- High hardness and high toughness steel replacing carburizing steels
- High temperature carburizing steel ensuring ideal grain size
- Advanced Tool Steels supreme fit with high strengthened materials

(*) CASE : Connected, Autonomous, Sharing and Electric

- With our strength in high-cleanliness steel, accurately respond to new customer requirements and environmental issues arising from changes in social and industrial structures
- Strengthen supply chain competitiveness by enhancing collaboration with customers

Impact of the shift to EVs and our activities (II)

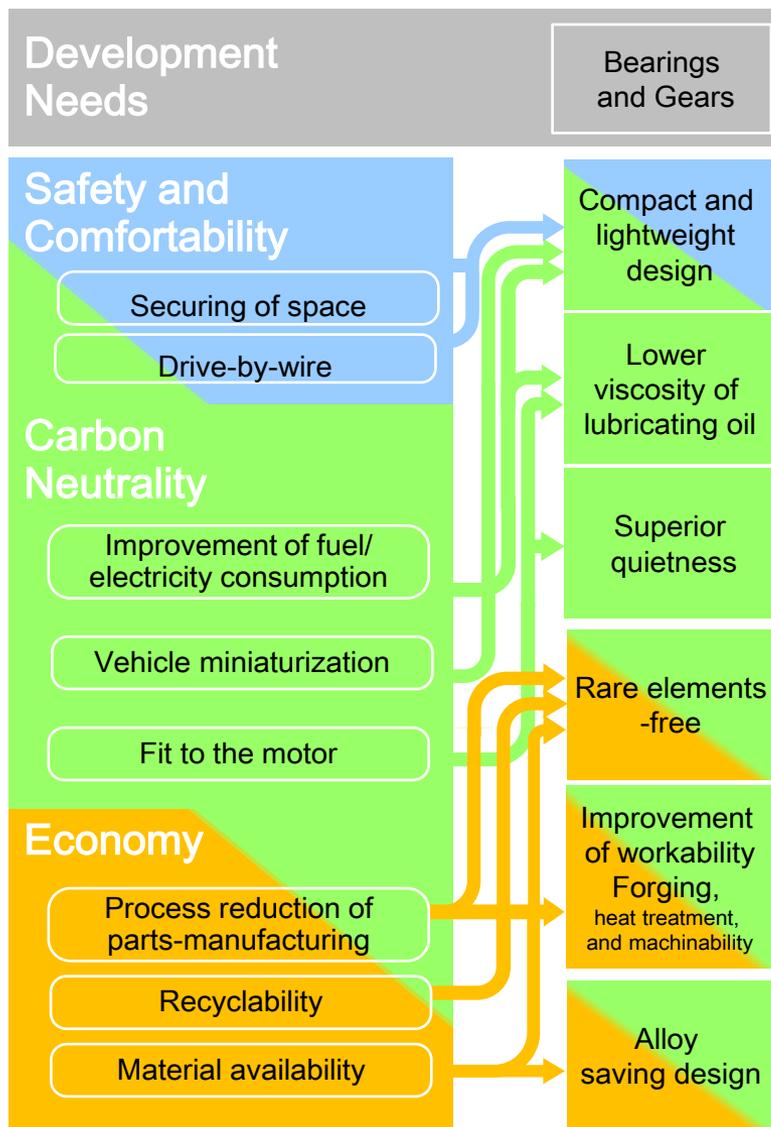
Changes and needs in automotive powertrain



Needs arising from **the shift to motor driving (motor and decelerator type)**
from Engine driving (engine and transmission type)

- Improvement of quietness
 - : Development of steel that contributes to improving gear accuracy
- Improvement of electricity consumption
 - : Development of highly durable steel that contributes to compact and lightweight design

Introduction of our developed steels



Features

■ 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.

■ Ultra-high-cleanliness steel

SNRP, SURP

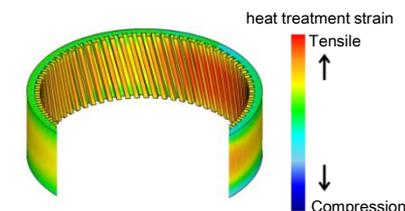
- ✓ excellent durability
- ↓
- Contributing to miniaturization and weight reduction.

■ High hardness and high toughness steel

TOUGHFIT™

- ✓ Compatibility of hardness and toughness
- ↓
- Omission of gas carburizing (reduction of processing time and CO₂ emission)

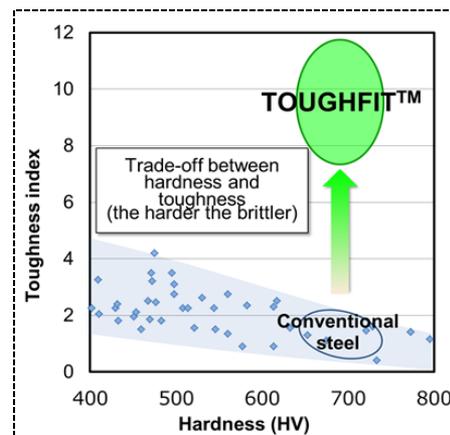
Examples achieved in R&D



▪ Deformation analysis result by heat treatment



▪ Sanyo Ultra Refining Process
▪ Cleanliness evaluation technology

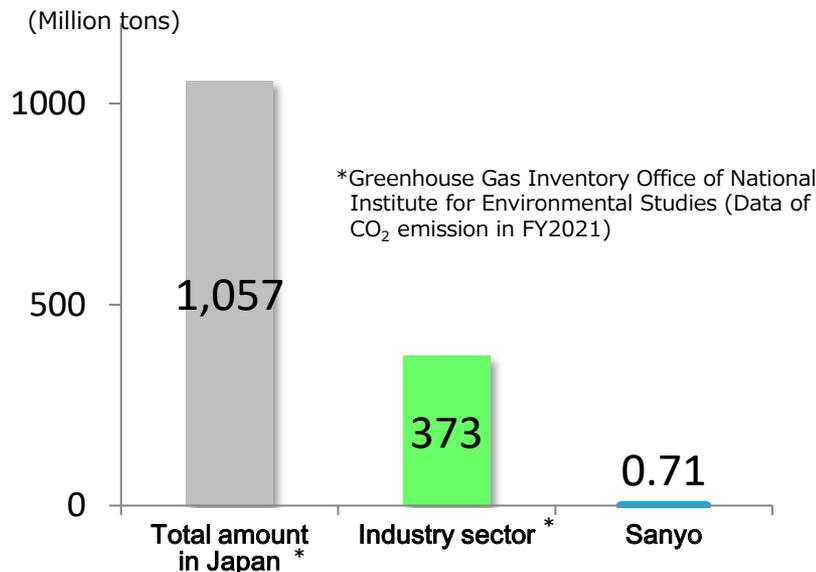


* Drive-by-wire : The system uses electrical signals to control acceleration and braking, instead of conventional mechanical controls.

3. Achieving Carbon Neutrality(CN) by 2050

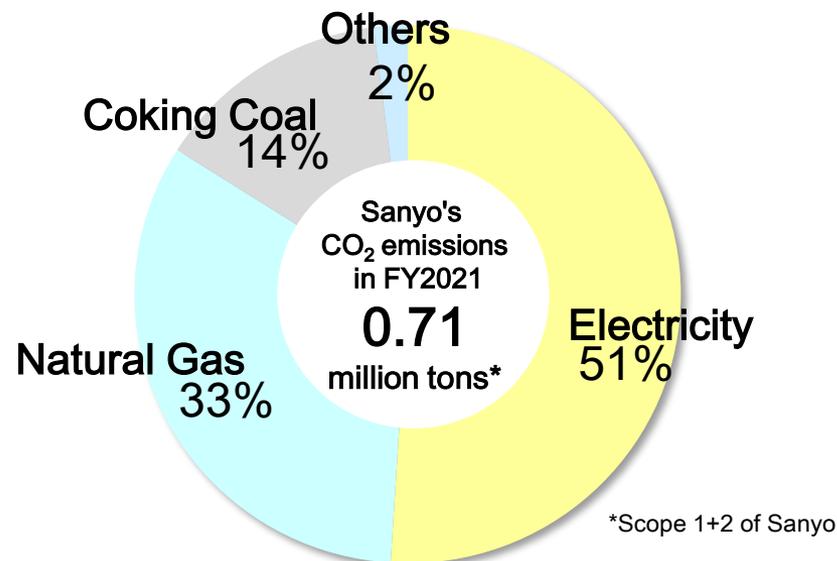
Basic Consideration to Carbon Neutrality

Amount of CO₂ emissions in FY2021



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."

Endorsement of the GX League basic concept

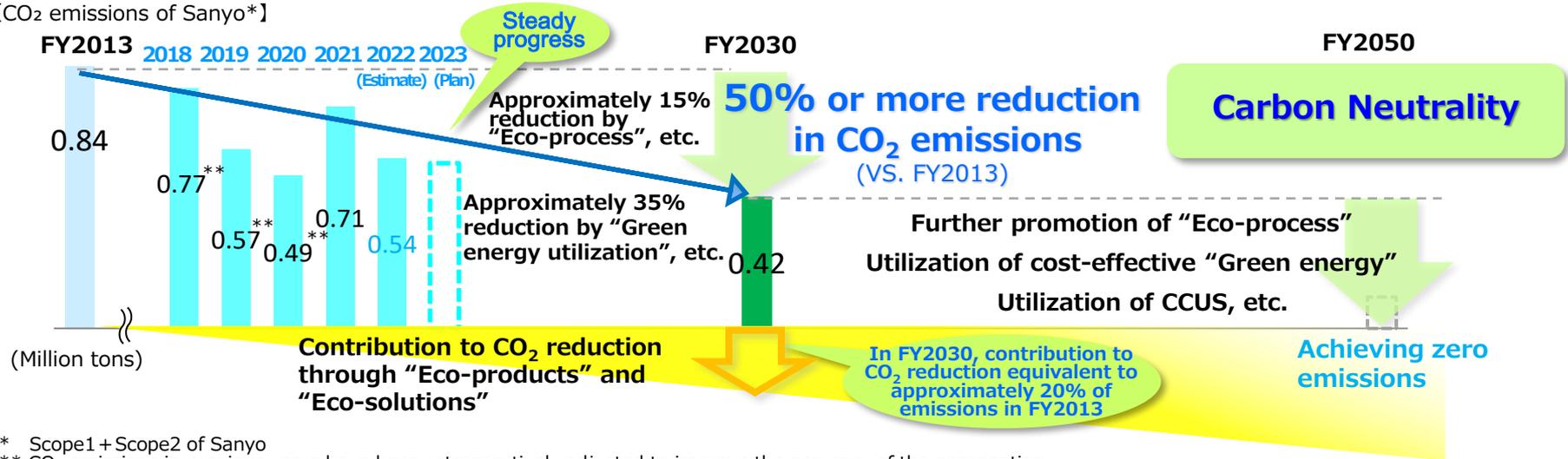
GX League was established as a forum for discussion on the transformation of the entire economic and social system and practice for the creation of new markets, together with players trying for the GX (Green Transformation) towards the realization of carbon neutrality in 2050.

Sanyo endorses the GX League Basic Concept, which aims to reform the entire economic and social system to achieve corporate growth, consumer happiness and contribution to the global environment at the same time, towards achieving carbon neutrality by 2050.



Sanyo's Roadmap to Carbon Neutrality by 2050

[CO₂ emissions of Sanyo*]



* Scope1 + Scope2 of Sanyo
 ** CO₂ emissions in previous years have been retrospectively adjusted to improve the accuracy of the aggregation.
 *** Calculated from the green house gas emissions factors 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

*Commenced to utilize renewable energy sources from 2022.

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 SSMI

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.

Engagement to Carbon Neutrality by OVAKO

First in the world to heat steel using hydrogen

Decision to introduce Fossil-free hydrogen electrolyzer plant

Commit to Science Based Targets initiative

Science Based Targets (SBT's) are organizational targets in line with meeting the goals of the Paris Agreement that show how much and how quickly organizations need to reduce their Greenhouse Gas emissions.

Reduced CO₂ emissions by 57% from 2015

Carbon neutral in production from January 2022

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

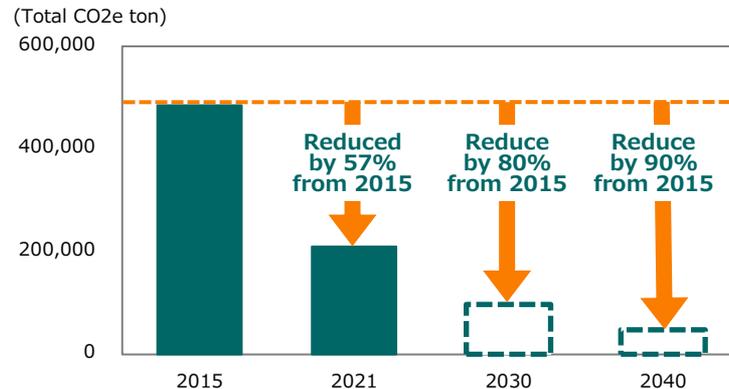
- ✓ OVAKO has utilized carbon offset program to become carbon neutral.
- ✓ OVAKO has applied climate surcharge.

Inauguration of Fossil-free hydrogen electrolyzer plant

Collaboration with customers

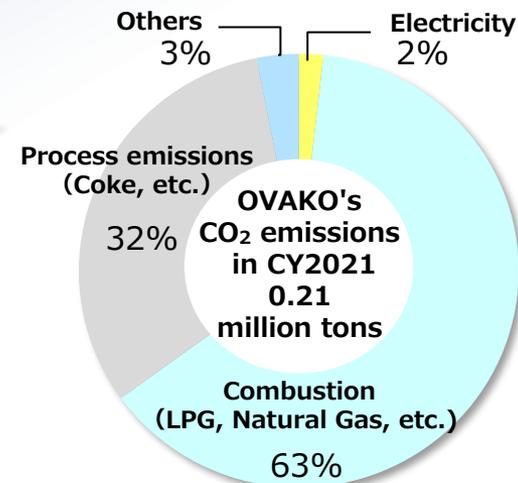
- SKF has produced bearings with 90% less carbon emission than its standard, using OVAKO's high quality bearing steel.
- OVAKO has participated in Volvo's climate-neutral car project.

OVAKO's Roadmap: CO₂ emissions, scope 1&2



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2021

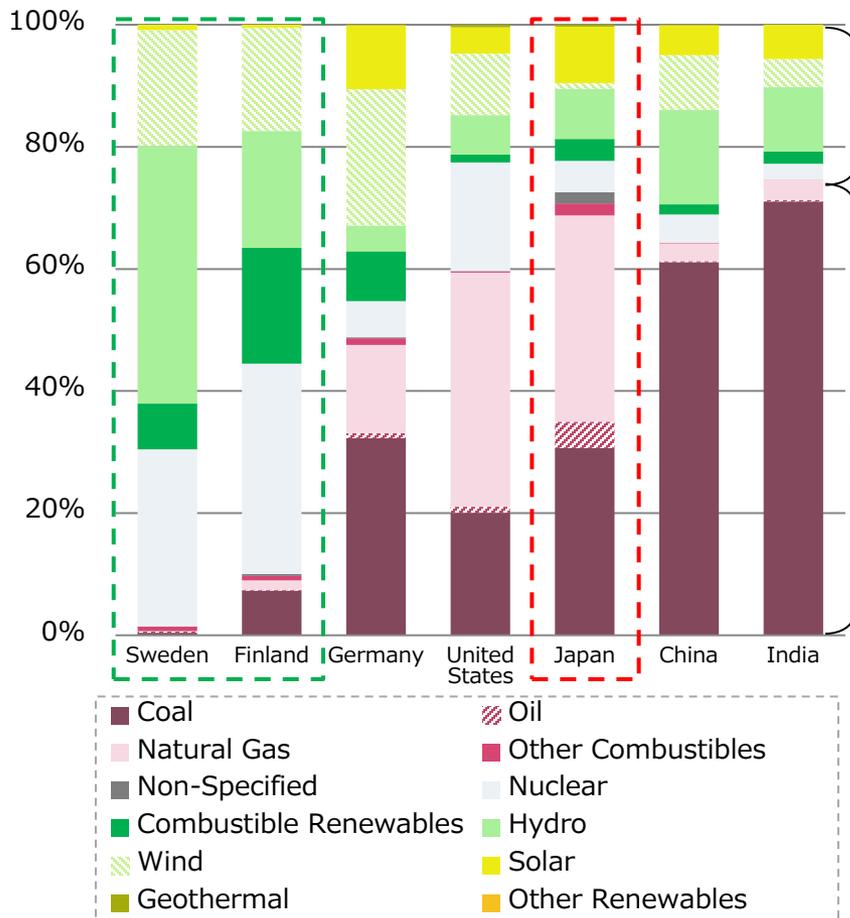
Breakdown of OVAKO's CO₂ emissions



Electricity Mix and Prices of major Countries

■ Electricity mix as of 2022

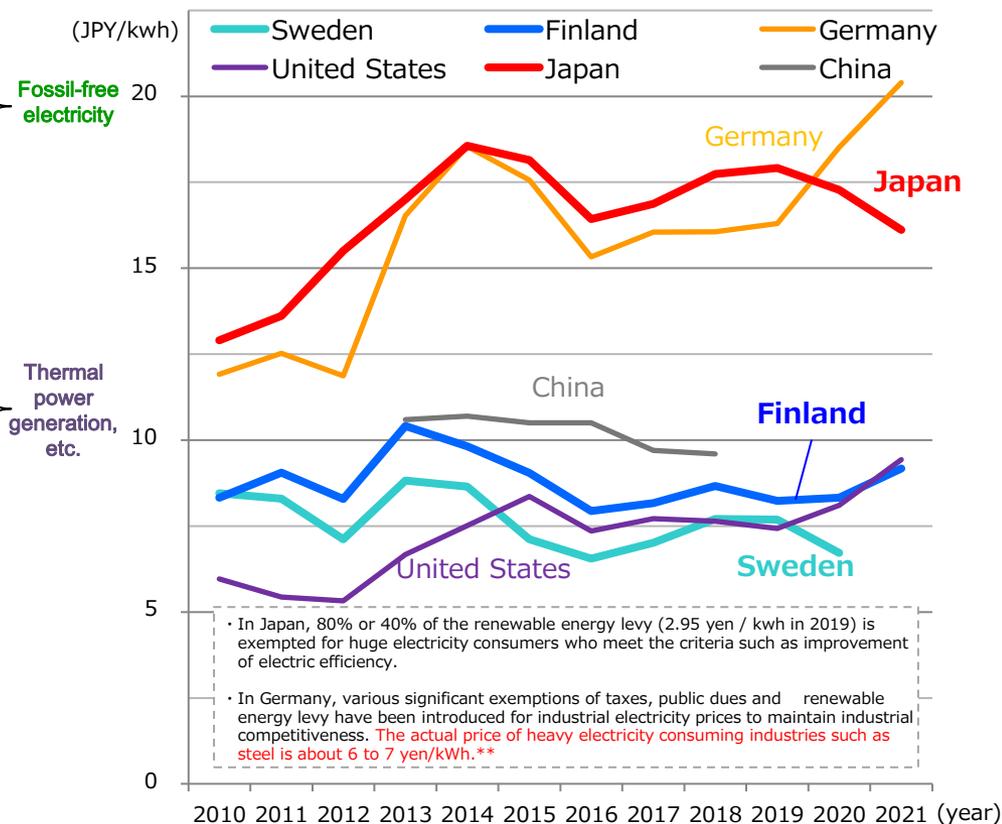
The ratio of carbon free electricity (hydropower, wind power, nuclear power) in Sweden and Finland, where OVAKO's production sites are located, is overwhelmingly high compared to other nations.



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

■ Industrial electricity prices*

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

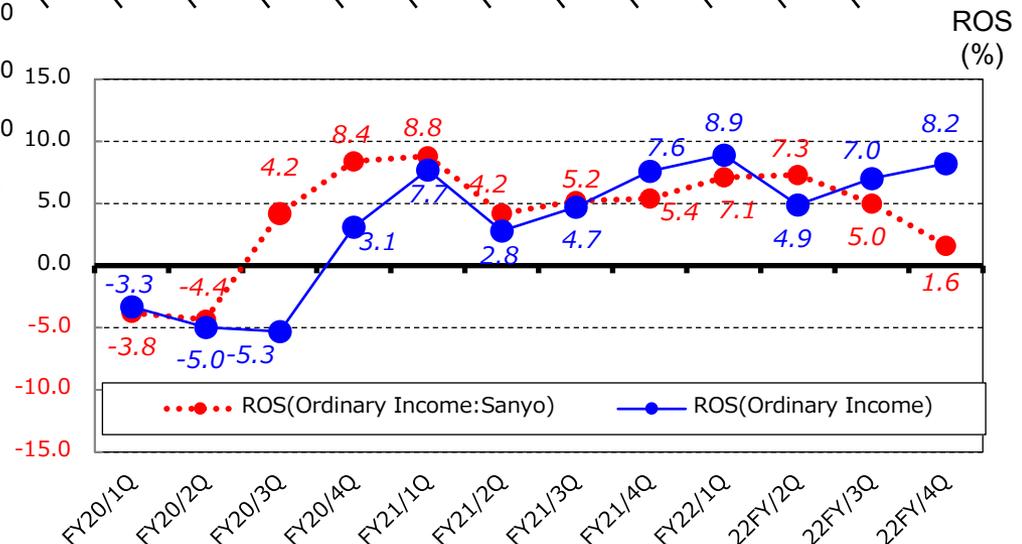
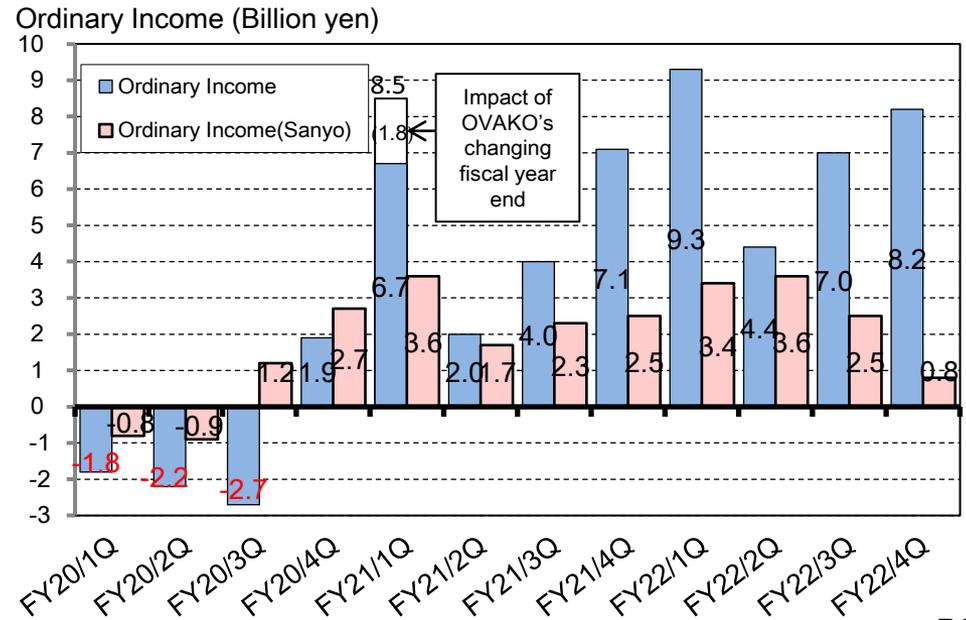
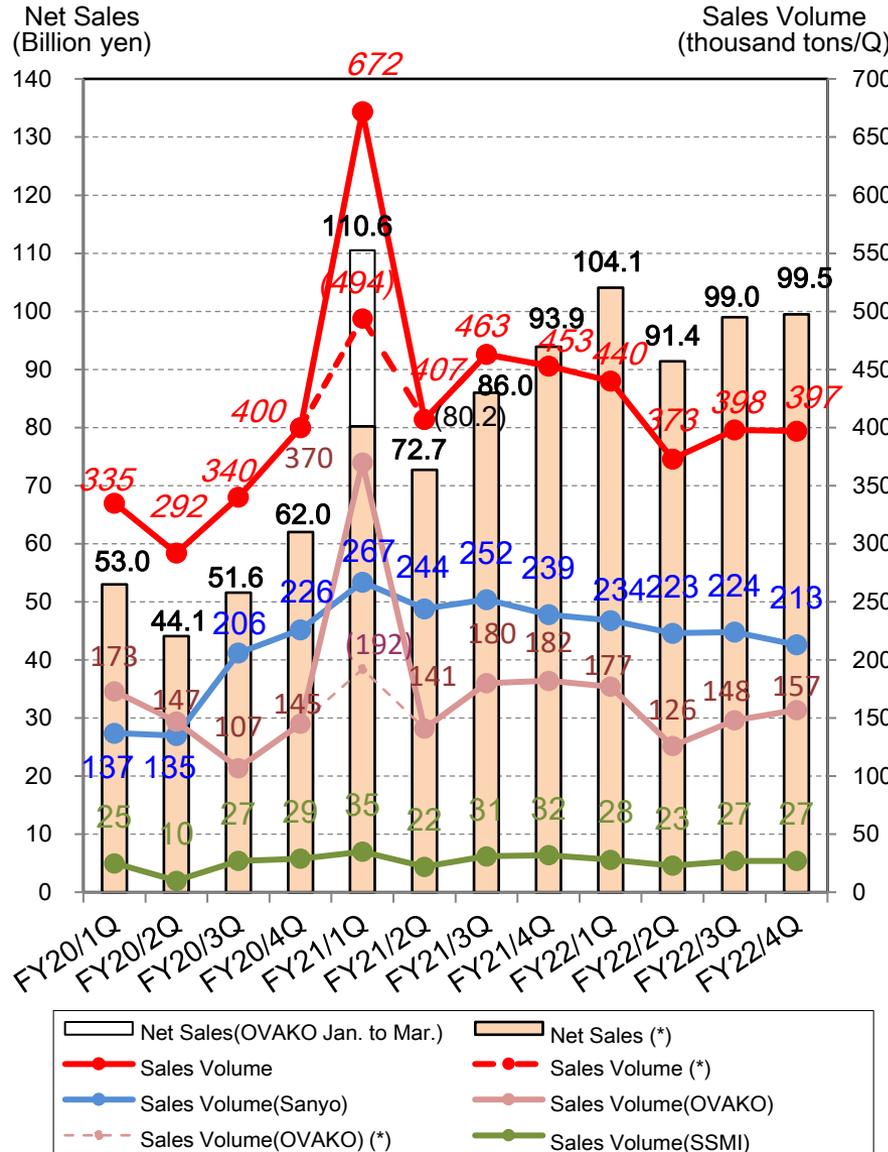


* In Japan, 80% or 40% of the renewable energy levy (2.95 yen / kWh in 2019) is exempted for huge electricity consumers who meet the criteria such as improvement of electric efficiency.
 * In Germany, various significant exemptions of taxes, public dues and renewable energy levy have been introduced 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)

4. Details of Results and Forecast for FY2023

Net Sales and Income (Quarterly)



Earnings by Business Segment

(Unit : Billion yen)

	FY22 (A)			FY21 (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	377.1	27.0	7.2	350.3	20.1	5.8	+26.8	+6.8	+1.4
Metal Powders	5.3	1.0	18.9	4.6	0.8	18.0	+0.8	+0.2	+0.9
Formed and Fabricated Materials	19.9	0.4	1.8	18.0	0.4	2.0	+1.9	+0.0	-0.2
Sub-total	402.2	28.4	7.0	372.8	21.3	5.7	+29.4	+7.0	+1.3
Others	1.4	0.0	2.2	1.1	0.0	2.4	+0.3	+0.0	-0.3
Adjustments	-9.8	0.1	-	-10.7	0.1	-	+0.8	+0.0	-
Consolidated total	393.8	28.5	7.2	363.3	21.4	5.9	+30.6	+7.1	+1.3

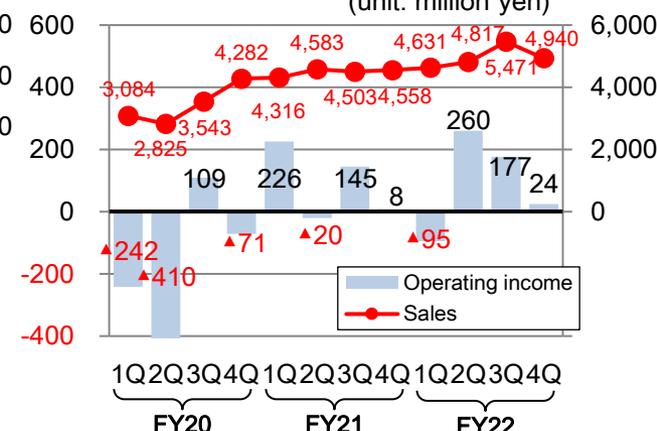
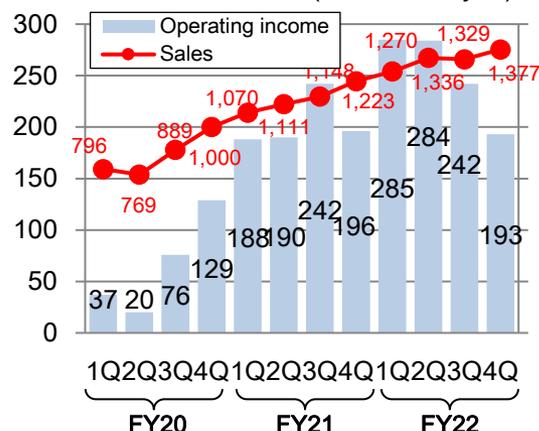
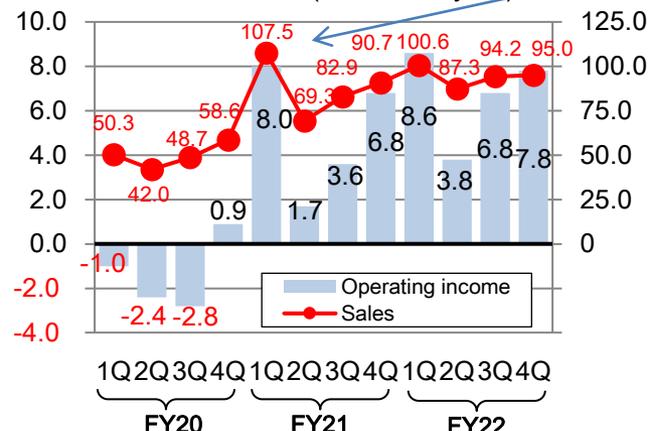
Change in Business Segment

Including impact of OVAKO's changing fiscal year end

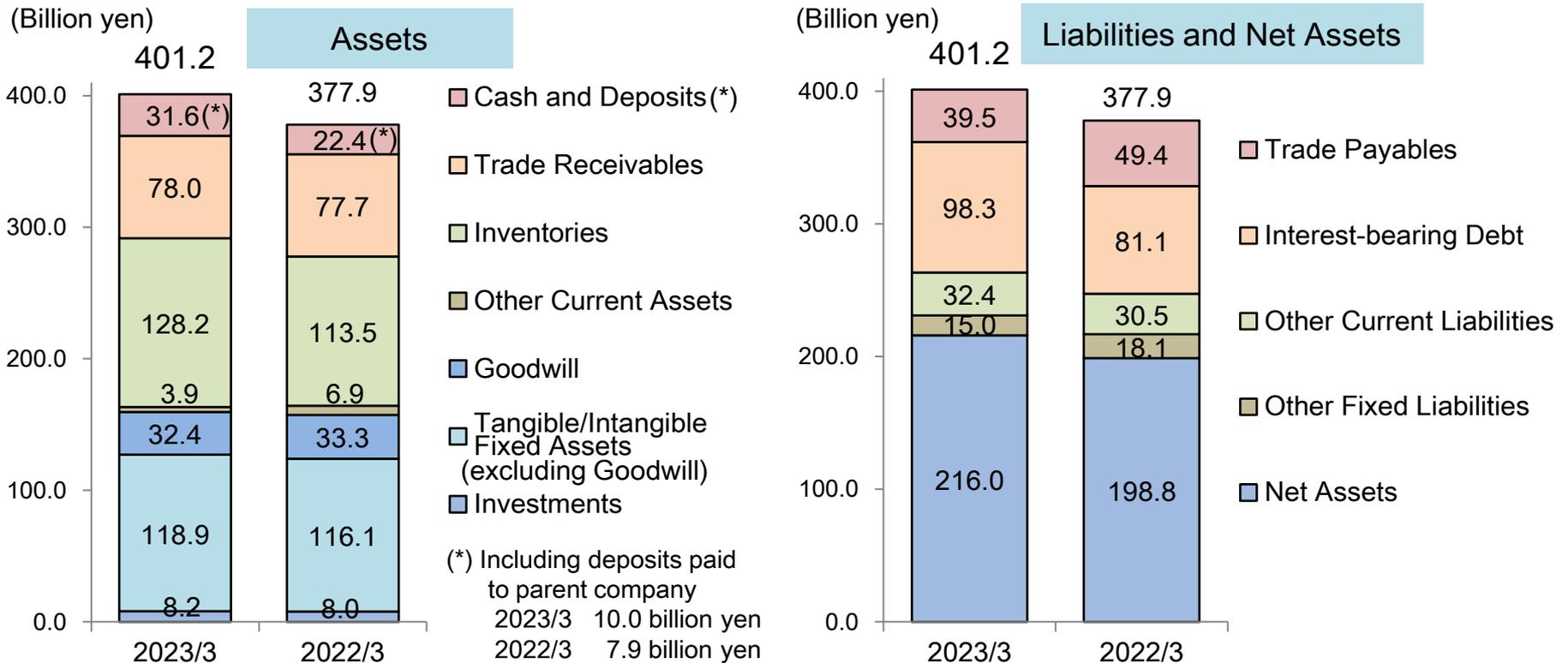
Steel Products (unit: billion yen)

Metal Powders (unit: million yen)

Formed and Fabricated Materials (unit: million yen)



Balance Sheets



Major changes in Assets +23.3 billion yen (+6.2%)
 (including foreign exchange impact +10.2 billion yen)

Cash and Deposits	+ 9.2
Inventories	+14.7
Goodwill	- 0.9
(amortization -2.9, foreign exchange impact +2.0)	

Major changes in Liabilities and Net Assets +23.3 billion yen (+6.2%)
 (including foreign exchange impact +10.2 billion yen)

Trade Payables	- 9.9
Interest-bearing Debt	+17.2
Other noncurrent liabilities	- 3.1
Net Assets	+17.2

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Mar. 2023, non consolidated basis)
 Sanyo 280.3 billion yen, OVAKO 125.8 billion yen, SSMI 14.4 billion yen

Equity Ratio	2023/3	2022/3
	53.4%	52.1%

Statements of Cash Flows

(Unit : Billion yen)

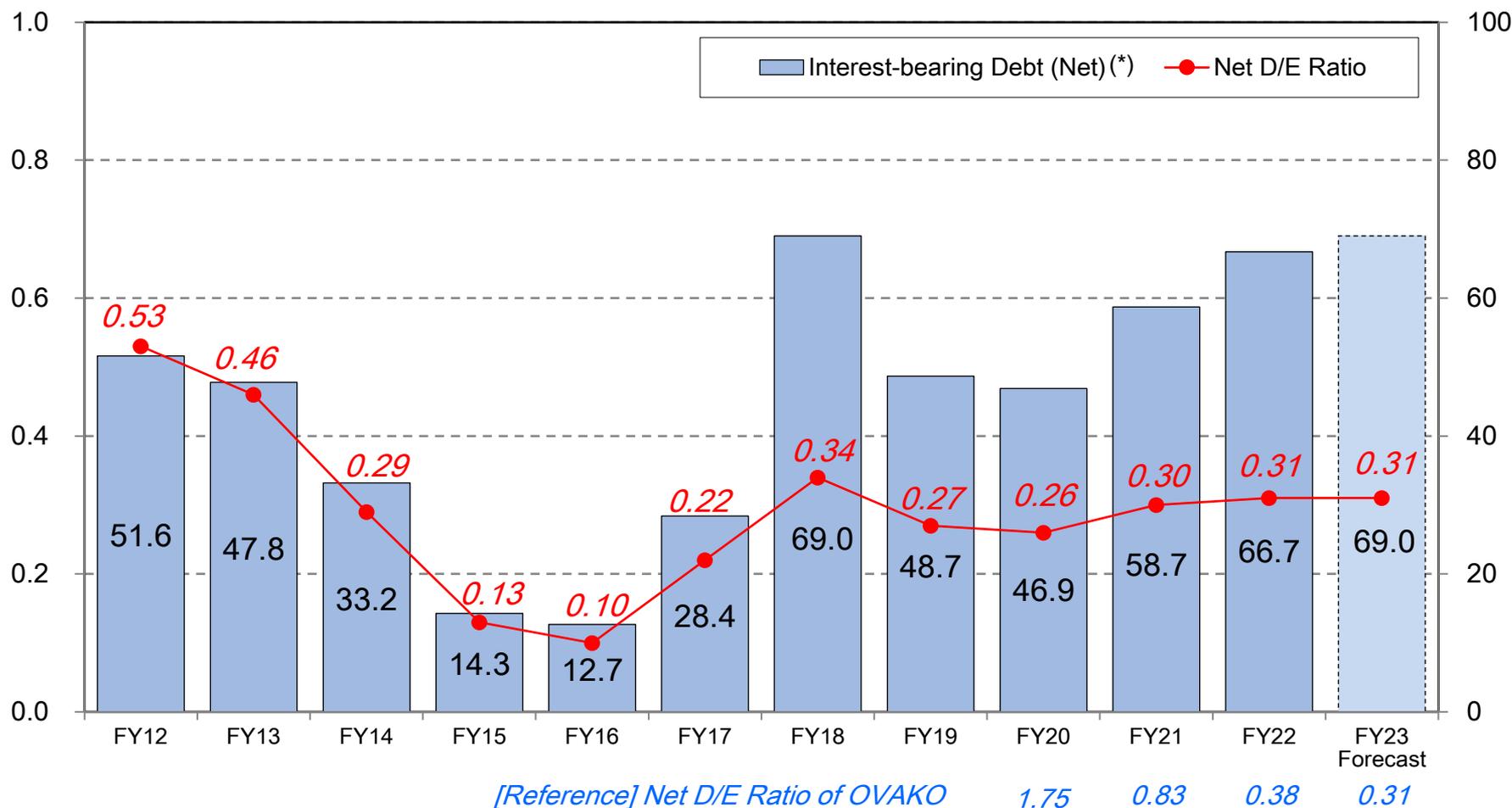
	FY18	FY19	FY20	FY21	FY22
Cash flows from operating activities (A)	10.8	39.4	22.3	7.1	12.2
Net income before income taxes	20.0 { 10.4	16.0 { -3.3	11.2 { -9.5	40.3 { 21.0	44.7 { 28.0
Depreciation & Amortization of goodwill	9.6	19.3	20.7	19.3	16.7
Income taxes	-3.3	-4.2	1.3	-0.4	-7.4
Working capital, etc.	-6.0	27.6	9.8	-32.7	-25.1
Cash flows from investing activities (B)	-69.0	-12.5	-19.4	-13.3	-12.8
Capital expenditure	-9.1	-18.3	-18.9	-13.7	-13.1
Acquisition of subsidiary stock	-60.4	-	-	-	-
Proceeds from sale of securities	0.1	2.2	0.3	0.6	0.0
Others	0.4	3.6	-0.8	-0.1	0.3
Free cash flows (A+B)	-58.3	27.0	2.9	-6.2	-0.6
Cash flows from financing activities (C)	65.9	-21.1	-5.5	2.3	8.5
Increase/Decrease in borrowings/bonds/commercial papers /lease obligations	0.5	-16.4	-5.4	4.8	14.4
Proceeds from issuance of securities	67.1	-	-	-	-
Purchases or Sales of treasury stock	-0.0	-2.5	-0.0	-0.0	-0.0
Cash dividends	-2.3	-2.2	-0.0	-2.4	-5.5
Others	0.5	-0.0	-0.0	-0.0	-0.4
Translation Difference (D)	-0.2	-0.4	0.2	0.9	1.2
Net Increase/Decrease in Cash and cash equivalents (A+B+C+D)	7.5	5.4	-2.3	-3.0	9.1

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

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)

Ordinary Income Variance Analysis (FY21 → FY22 Result)

Time lag of surcharge pricing

- Iron scrap : +5.8 billion yen (FY21 -4.5 → FY22 +1.3)
- Energy : -3.0 billion yen (FY21 - → FY22 -3.0)

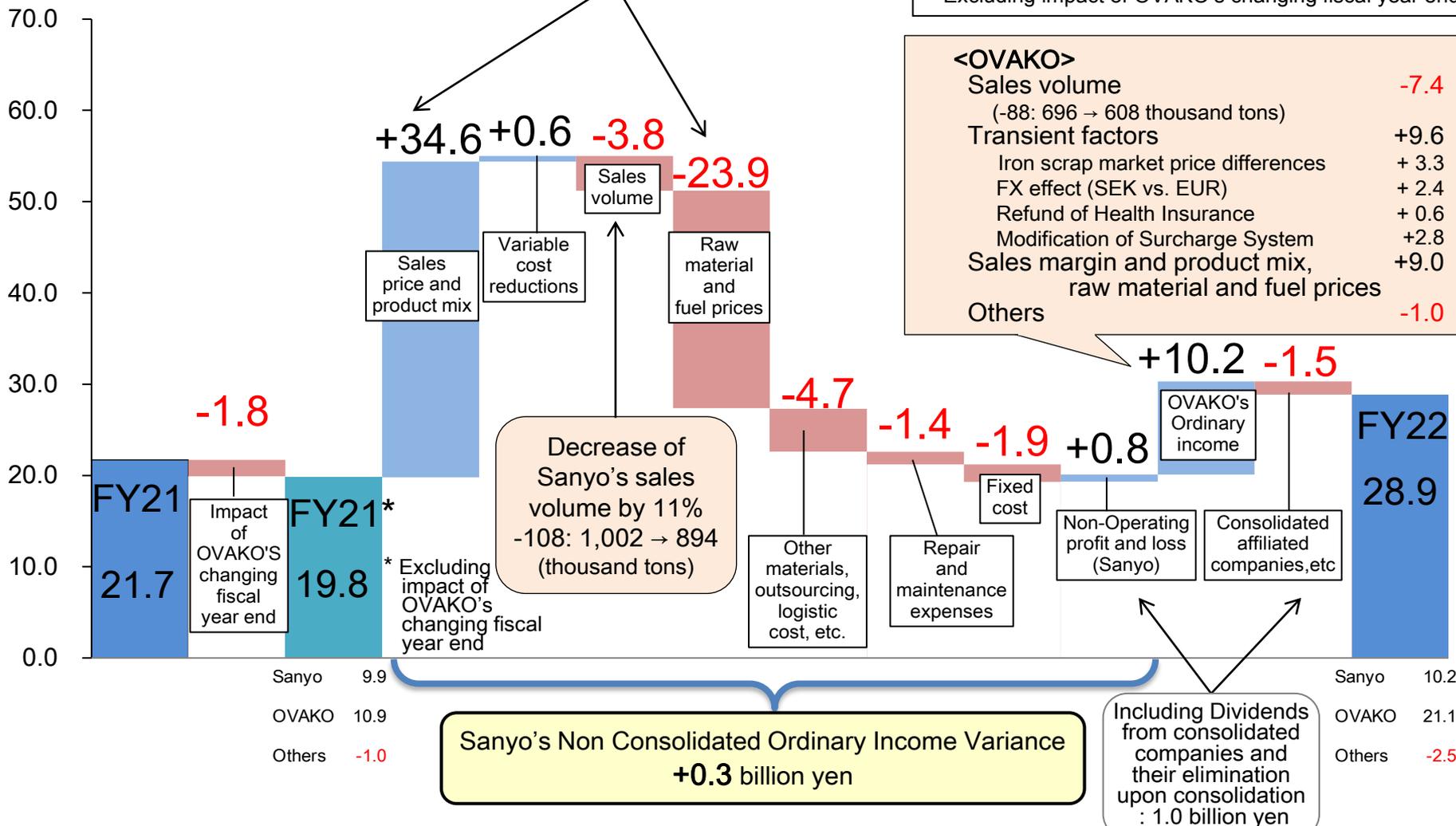
Increase +46.2 Billion yen
Decrease -37.2 Billion yen

Total + 9.0 Billion yen *

* Excluding impact of OVAKO's changing fiscal year end

<OVAKO>	
Sales volume	-7.4
(-88: 696 → 608 thousand tons)	
Transient factors	+9.6
Iron scrap market price differences	+ 3.3
FX effect (SEK vs. EUR)	+ 2.4
Refund of Health Insurance	+ 0.6
Modification of Surcharge System	+2.8
Sales margin and product mix, raw material and fuel prices	+9.0
Others	-1.0

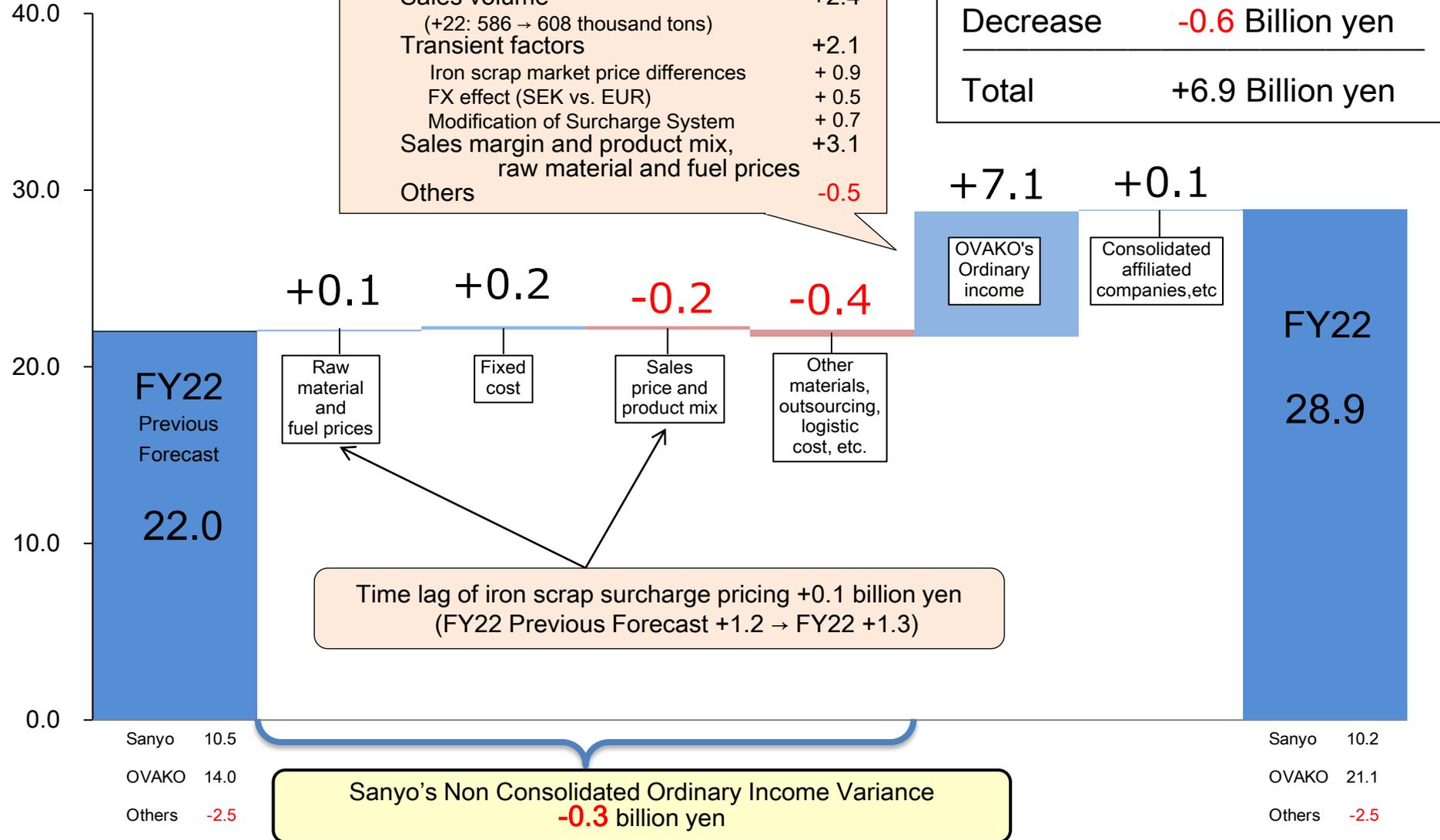
(Billion yen)



Ordinary Income Variance Analysis

(FY22 Previous Forecast → FY22 Result)

(Billion yen)



Time lag of iron scrap surcharge pricing +0.1 billion yen (FY22 Previous Forecast +1.2 → FY22 +1.3)

Sanyo's Non Consolidated Ordinary Income Variance -0.3 billion yen

Ordinary Income Variance Analysis (FY22/3Q → FY22/4Q)

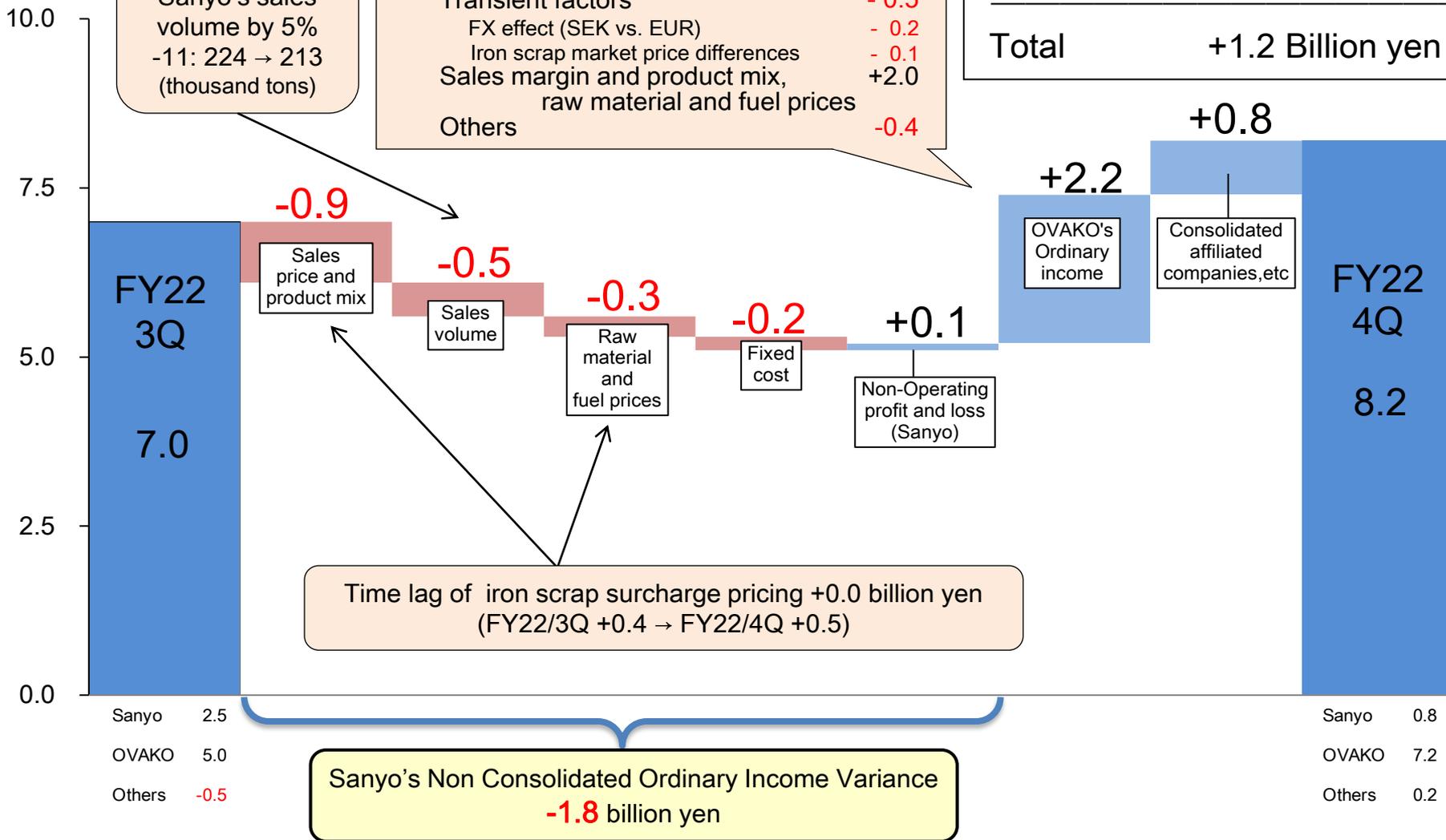
(Billion yen)

Decrease of Sanyo's sales volume by 5%
-11: 224 → 213 (thousand tons)

<OVAKO>

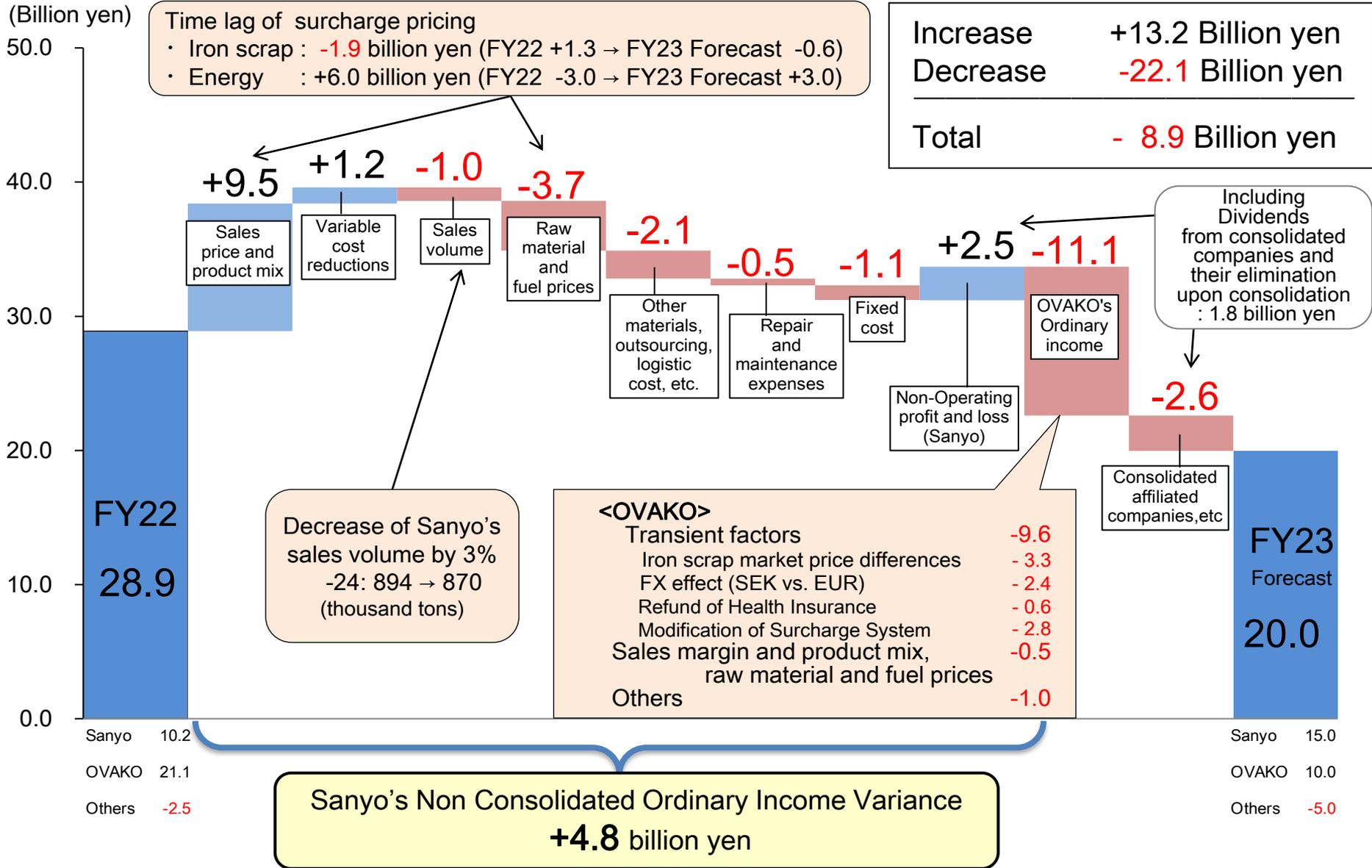
Sales volume (+10: 148 → 158 thousand tons)	+1.1
Transient factors	-0.5
FX effect (SEK vs. EUR)	-0.2
Iron scrap market price differences	-0.1
Sales margin and product mix, raw material and fuel prices	+2.0
Others	-0.4

Increase	+3.1 Billion yen
Decrease	-1.9 Billion yen
Total	+1.2 Billion yen



Ordinary Income Variance Analysis

(FY22 Result → FY23 Forecast)



Review of Performance <OVAKO>

FY2022 Business Results and FY2023 Forecast

Ordinary income in FY22 : 21.1 billion yen

(+10.2 billion yen compared to FY21 * excluding impact of changing the fiscal year end)

Ordinary income in FY22 excluding impact of transient factors : 11.5 billion yen

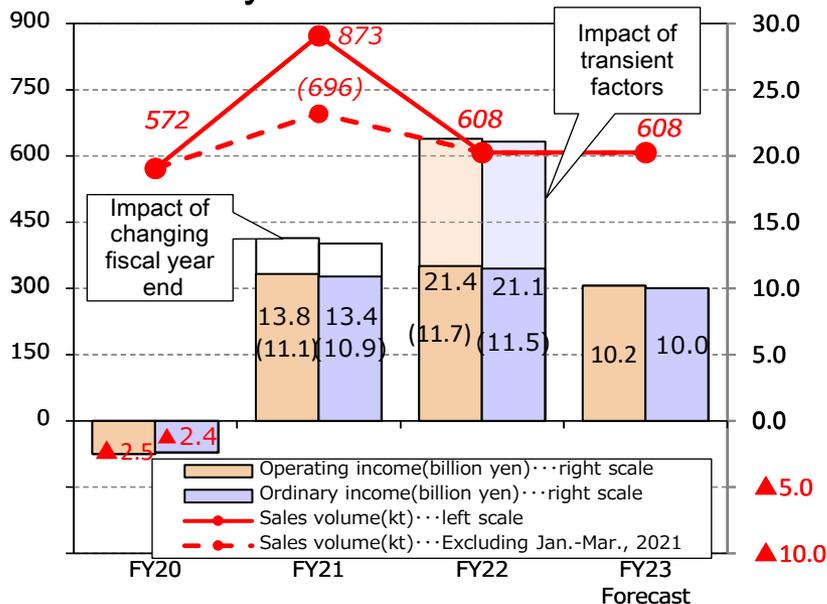
- ▶ Profit on YOY basis increased due to margin improvement such as applying energy surcharge and positive effects of transient factors, although impacts of market environment deterioration triggered by Russian invasion to Ukraine have emerged.

Ordinary income in FY23 Forecast : 10.0 billion yen

(-11.1 billion yen compared to FY22 , excluding impact of transient factors: -1.5 billion yen)

- ▶ Secure profit margin by appropriately reflecting the effect of significant cost inflation to sales price.
- ▶ Continue strict control of fixed cost by resiliently implementing optimization of operational structure.
- ▶ Aim to achieve profit of the same level as FY22 (excluding impact of transient factors).

Trend of Sales volume, Operating income, and Ordinary income



Profit improvement measures and Maximizing synergies

Profit improvement

Safeguarding and improving profit margin in an inflationary environment by base price increase and climate surcharge and energy surcharge introduction

Streamlining numbers of workforce by optimizing operation by flexibly balancing capacity between mills in case of high-level production

Continuously lowering BEP by margin improvement and fixed cost control

Maximizing synergies among the 3 companies, OVAKO, Sanyo and Nippon Steel

- Sales promotion activities
- Reduction of operational cost
- Reduction of procurement cost

Review of Performance <SSMI>

FY2022 Business Results and FY2023 Forecast

Ordinary income in FY22 : -0.2 billion yen (-0.6 billion yen compared to FY21)

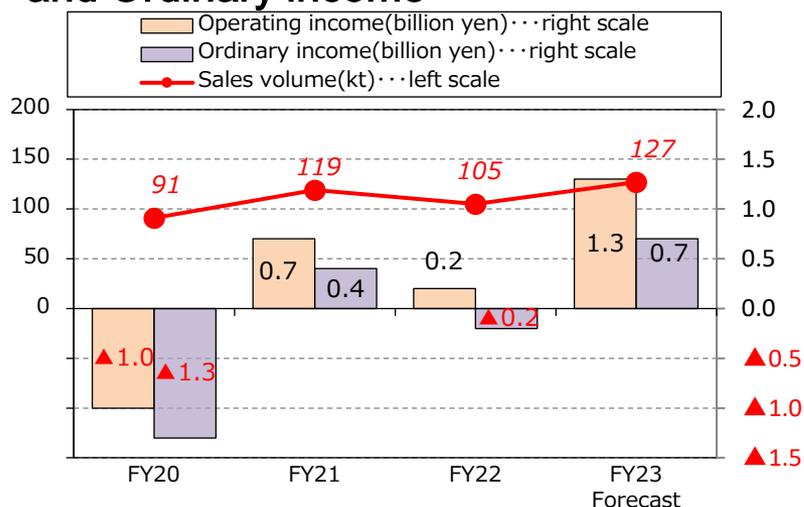
Soaring raw material and fuel prices and stagnant sales volume mainly in high-margin segments due to low demand had negative effects in 1H, while improving margins and gradually recovering demand had positive effects in 2H.

Ordinary income in FY23 Forecast : 0.7 billion yen (+0.9 billion yen compared to FY22)

SSMI will secure positive returns in FY23 by ensuring implementation of following measures.

- ▶ Expanding sales volume in mainly high-margin segments.
- ▶ Using cost effective cold iron resources, reducing electricity cost and further pursuing manufacturing cost reduction partly by streamlining production process.

Trend of Sales volume, Operating income, and Ordinary income



Profit improvement measures and actions

Upgrading sales strategy and mix

Executing sales strategy further reflecting SSMI's superior 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

In April 2023, Sanyo acquired all the shares of SSMI owned by Mahindra and Mahindra Limited ("M&M"), one of SSMI's minority shareholders, due to the exercise of M&M's put option right under the shareholders agreement. Consequently, Sanyo's capital contribution of SSMI became 80%.

Through the increase of capital contribution ratio to 80%, we will further bolster SSMI's manufacturing, technology, human resource and financial capabilities to reinforce its presence in India. Sanyo will capture India's sustaining economic growth and simultaneously enhance its global presence and achieve further growth.

5. Topics

Topics

(1) High-carbon Steel TOUGHFIT™ Is Commercialized

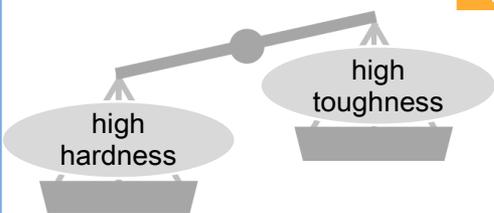
— Contributing to achieving a carbon-neutral society — (announced on March 30, 2023)

Sanyo has commercialized innovative high-carbon steel TOUGHFIT™. This steel overcomes the trade-off of “hard but brittle,” which has been thought to be a disadvantage of high-carbon steel. We will expand the applications of TOUGHFIT™ to a wide variety of fields to meet the needs of customers who are aiming for carbon neutrality.

Conventional steel

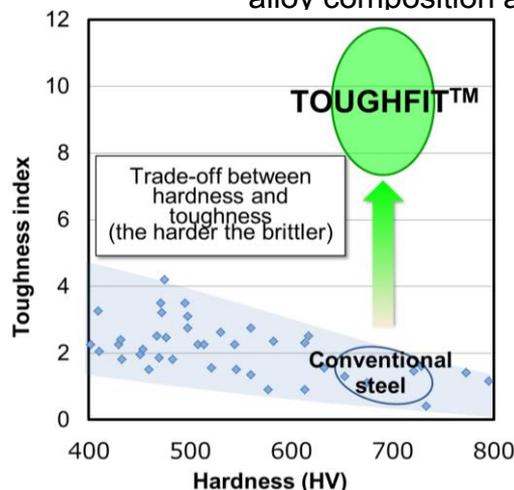
Trade-off relationship of hardness and toughness is a serious disadvantage of high-carbon steel.

the business-academia joint research



TOUGHFIT™

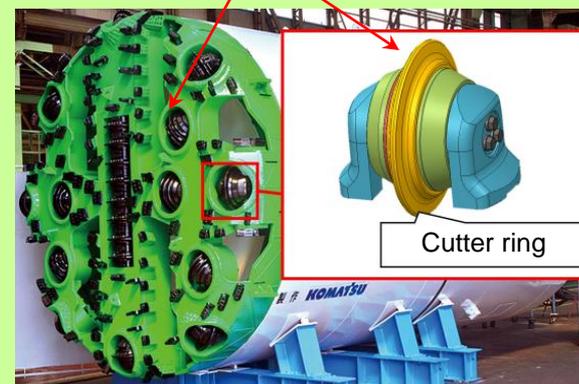
An innovative high-carbon steel which has high hardness and high toughness at the same time by optimizing the alloy composition and the heat-treatment condition.



Practical use

Komatsu, one of the partners in the business-academia joint research on this steel put TOUGHFIT™ to practical use as a cutter ring material for tunnel boring machines.

Cutter ring made of TOUGHFIT™



Appearance of Komatsu-made tunnel boring machine and a cutter ring form

Contributions to achieving carbon neutrality

Innovation in the heat-treatment of parts

The hardness of TOUGHFIT™ can be increased without reducing toughness using the quenching heat-treatment (without carburization). Applying TOUGHFIT™ will contribute to reducing CO₂ emissions in steel part manufacturing processes.

High functionality of parts

By applying TOUGHFIT™ with both high hardness and toughness, sizes and weights of parts can be designed to be smaller to improve fuel efficiency, which will reduce CO₂ emissions.

(2) Certificated as Health and Productivity Management Organization by METI (announced on March 9, 2023)

Sanyo was certificated as Health and Productivity Management Organization 2023.



Corporate Health Management Promotion

- PDCA cycle of measures is implemented under the health management system with the President as Chief Health Officer.
- We are making effort to improve employees' lifestyles and prevent mental health problems.
Ex. Calisthenics before the start of work, holding walking events, Implementation of exercise seminars, etc.

(3) Published 'Multi-Stakeholder Policy' (announced on March 31, 2023)

Premise

In corporate management, the co-creation of value with diverse stakeholders (*) is important. Appropriate distribution of earnings and results generated through proper collaboration with multi-stakeholders will help maintain momentum for wage increases and sustainable economic development.

⇒ It is important to return for employees and consideration for suppliers.

Initiative from SANYO REPORT 2022

- (1) Return for employees
Capacity building and skills development,
Raising wages by appropriate means
- (2) Consideration for suppliers
Compliance with the Declaration of Partnership Building.
- (3) Initiatives for other stakeholders
Contribute to the realization of a sustainable society by practicing the management philosophy 'Management of Trust'.

(*) All stakeholders, including not only shareholders but also employees, suppliers, customers, creditors and local communities.

(4) Further promotion of Diversity Management

Discussion between an external director and female employees (from January 2023 to March 2023)

A total of three round-table discussions were held between the external director, Ms. Fujiwara, and female employees to imagine what an attractive management position would look like. Sanyo will continue to create chances in which female employees can play active roles by providing opportunities for them to express their candid views and ideas.

Ms. Fujiwara
Independent Outside Director



Certificated as Hyogo Women's Active Promotion Enterprise 'Mimosa Certified Company' (announced on March 10, 2023)

Sanyo is promoting the creation of workplaces to work to the best of their abilities regardless of gender. We have increased the number of chances for female employees to play active roles by actively recruiting and expanding their job areas and have introduced supporting systems for female employees to continue working, such as parental leave and shorter working hours.

In recognition of these efforts, Sanyo was certificated as 'Hyogo Mimosa Certified Company'. We will continue to attract a diverse workforce and mutual developmental interaction for the growth of every employees and the development of our group.

Mimosa Certified Company

A system by the Hyogo Prefectural Government to certify companies that meet certain standards in the following certification categories: company philosophy, career development support, promotion of female, and promotion of female's retention, with the aim of promoting the success of them in companies in the prefecture.

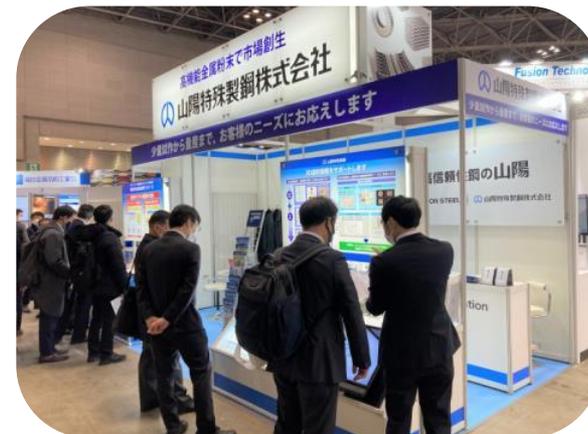


Topics

Others

(5) Promoting our products at exhibitions

- TCT Japan 2023 (February 1-3, 2023)
Sanyo exhibited Highly functional Metal Powder for 3D printer “NOVASHAPE® series”
- 2022 China International Bearing Industry Exhibition (March 7-10, 2023)
Joint exhibition by NIPPON STEEL, OVAKO and Sanyo. Local bearing manufacturers in China and major users in other countries also participated.



Exhibition of Sanyo in “TCT Japan 2023”

ESG

(6) Interaction with local communities

Track & Field Class for Children was held
by Sanyo Special Steel Culture Promotion Foundation
(March 28, 2023)

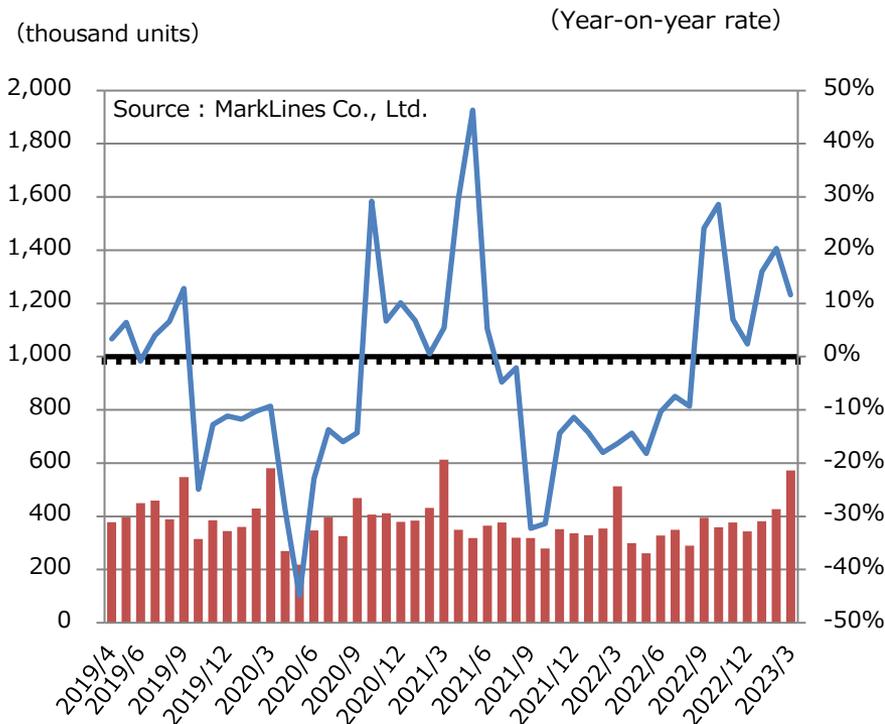
Lecture on special steel at Industrial High School
(January 23, 2023)



6. Reference

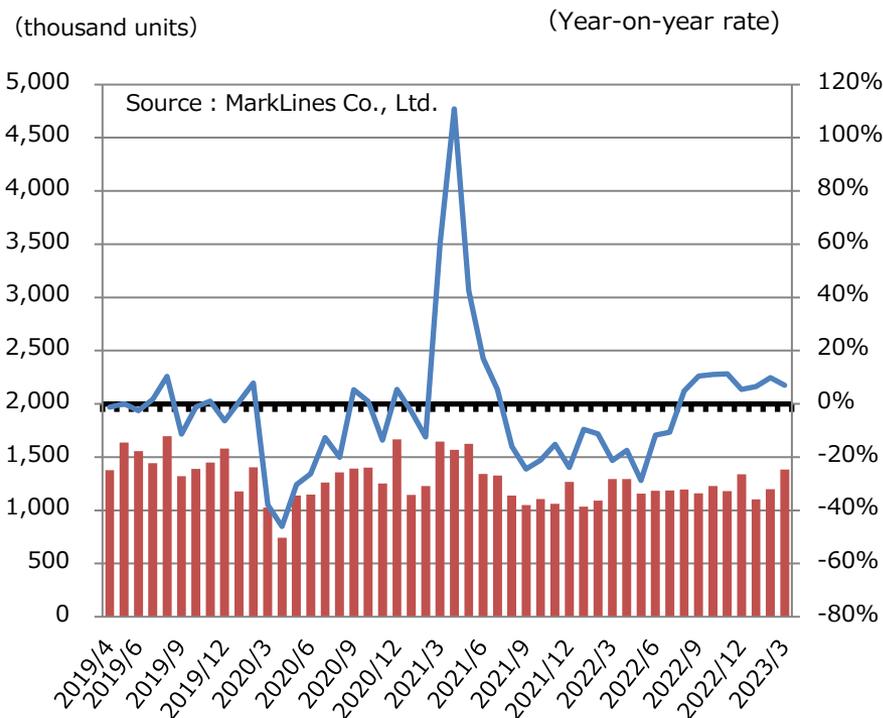
Trends in Automobile Market

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
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2023/3 ; +11.6% on YoY basis

Units of automobile sales in U.S.

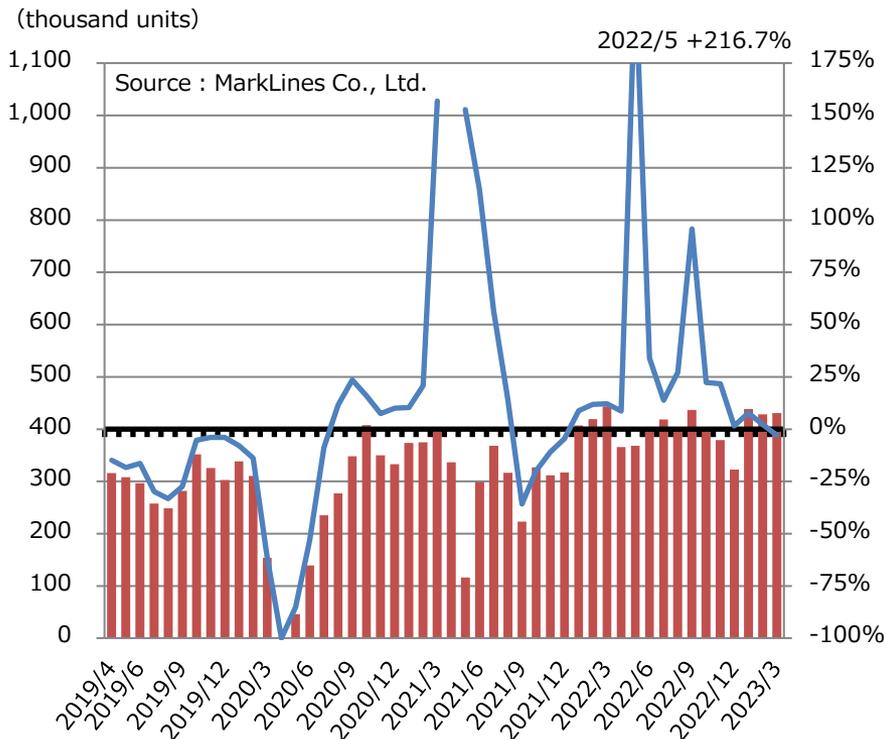


- 2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
- 2021/4 ; +108.6% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2023/3 ; +7.0% on YoY basis

Trends in Automobile Market

Units of automobile sales in India

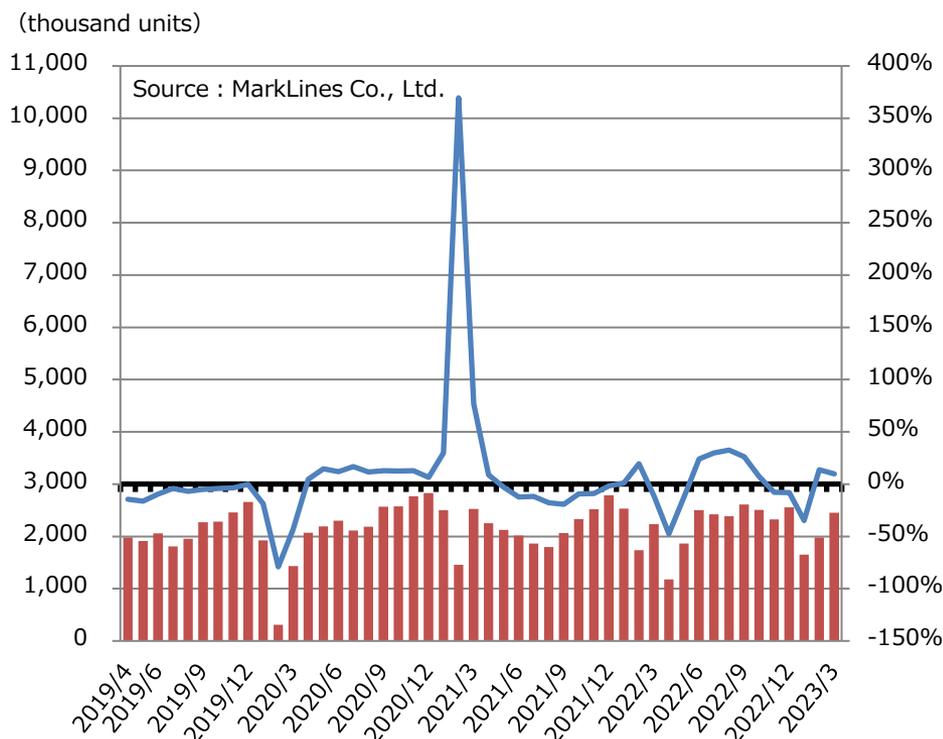
(Year-on-year rate)



- 2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
- 2021/5 ; sales decreased resulting from re-expansion of COVID-19 and a tendency towards recovery
- 2023/3 ; -2.9% on YoY basis

Units of automobile sales in China (Factory shipment base)

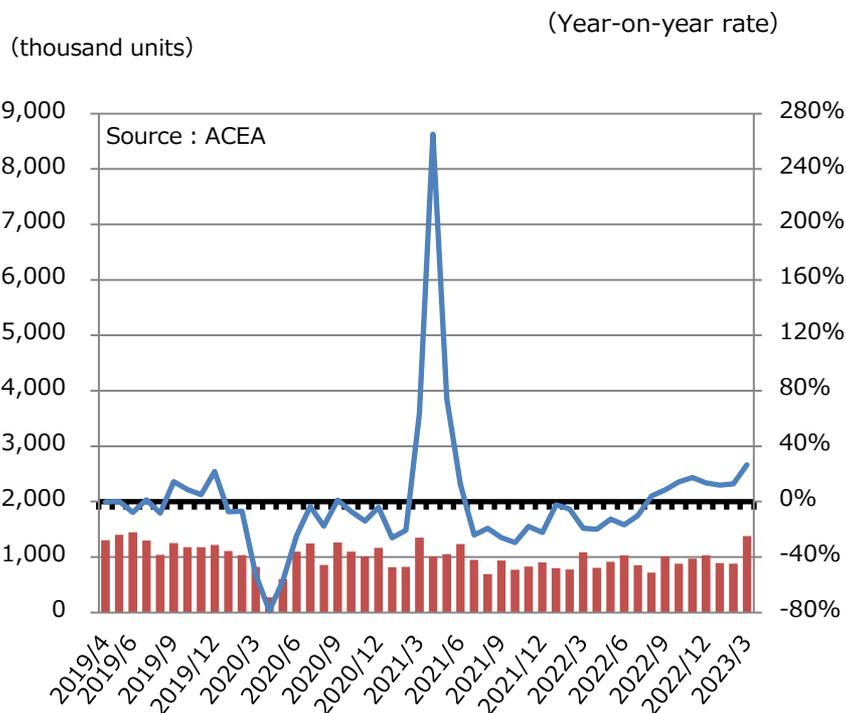
(Year-on-year rate)



- 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
- 2022/4 ; -47.6% on YoY basis because of re-expansion of COVID-19
- 2023/3 ; +9.7% on YoY basis

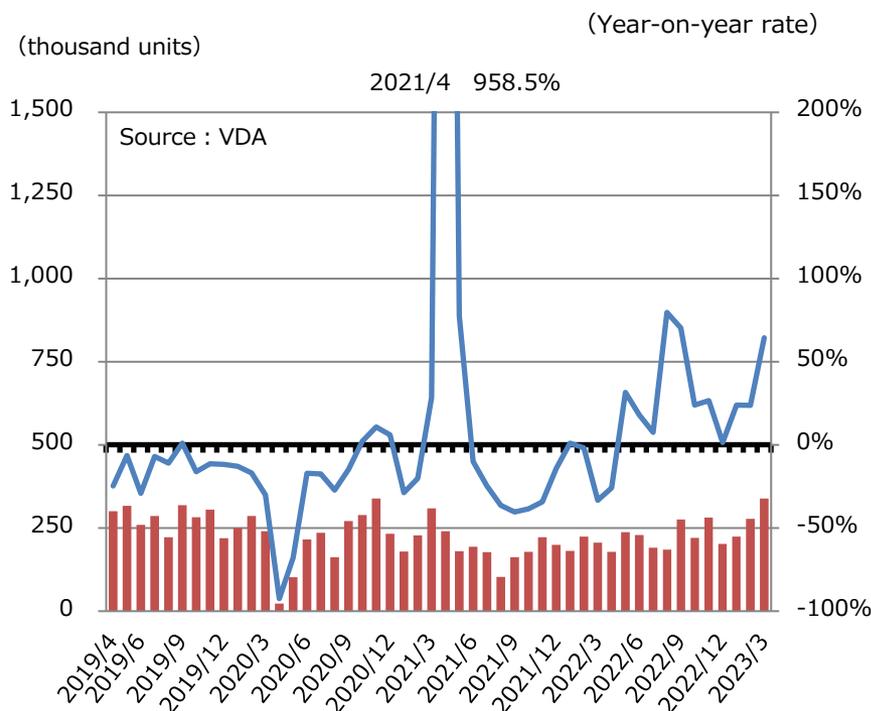
Trends in Automobile Market

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
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2023/3 ; +26.5% on YoY basis

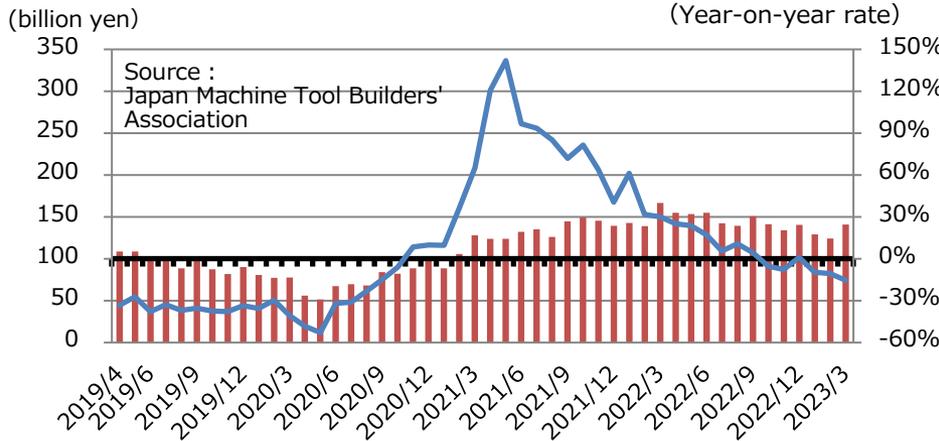
Units of automobile export from Germany



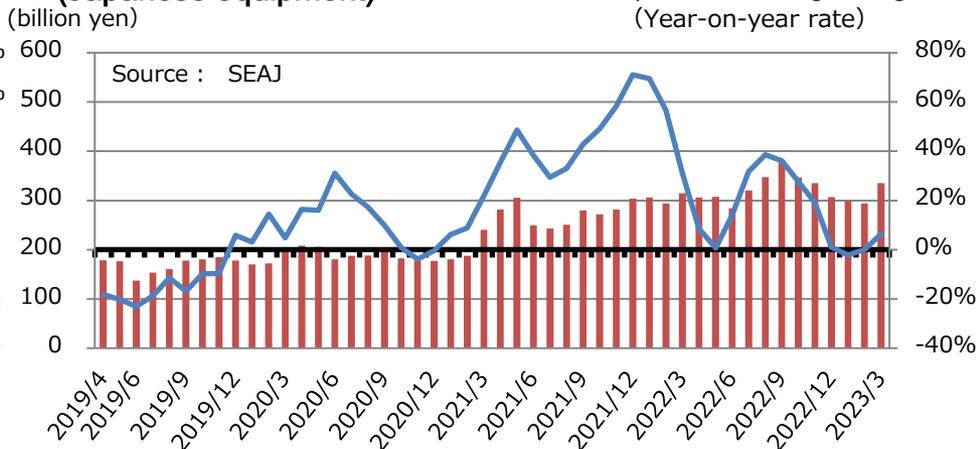
- 2020/4 ~ ; bottomed out and easing decline of export due to COVID-19 impact
- 2021/4 ; +958.5% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2023/3 ; +64.4% on YoY basis

Trends in Industrial Machinery and Construction Machinery Market

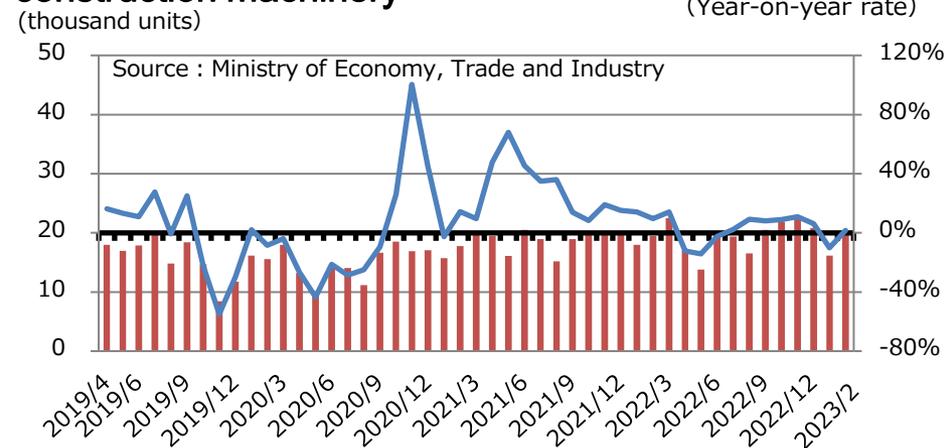
Sales amount of machine tool orders(Japan)



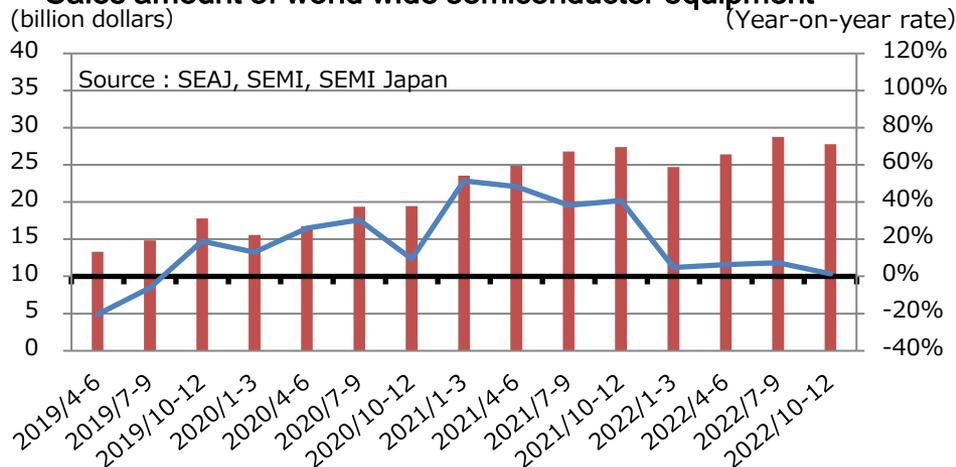
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery



Sales amount of world wide semiconductor equipment



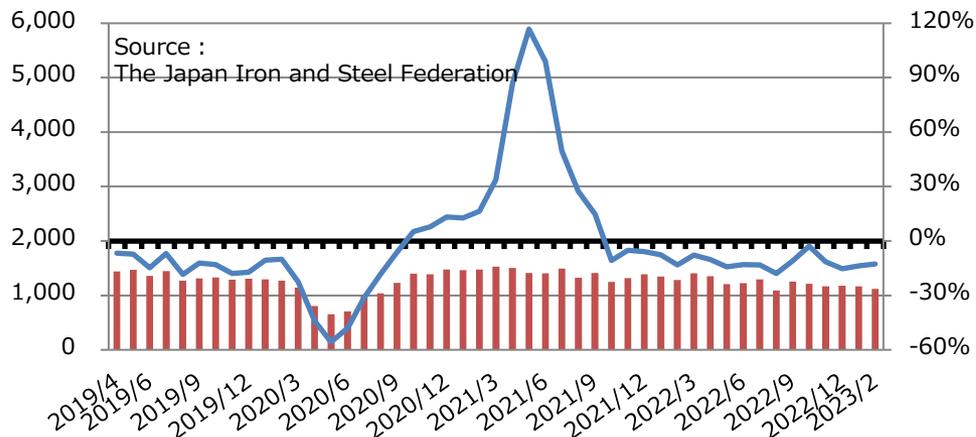
Machine tools	2020/5 ; -53% on YoY basis due to COVID-19 impact 2023/3 ; -15.3% on YoY basis
Semiconductor equipment	2020/7~; drop due to U.S.-China trade dispute & 2020/12 ~ ; recovery due to increase of 5G and global shortage of semiconductor & 2023/3 ; +6.5% on YoY basis
Construction machinery	2020/2~ continuous drop due to COVID-19 impact & 2020/10~; recovery of demand in China and Europe & 2023/2 ; +1.8% on YoY basis

Trends in Special Steel Market

Volume of order booked (Specialty steel products)

(thousand tons)

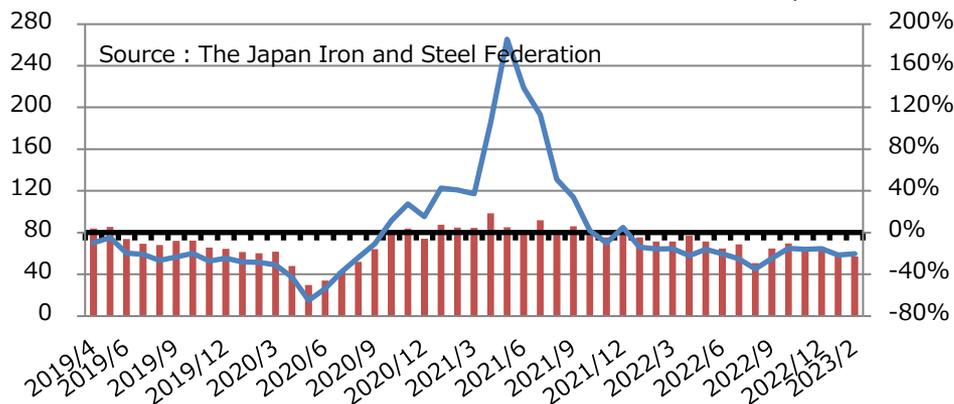
(Year-on-year rate)



Volume of order booked (Bearing steel products)

(thousand tons)

(Year-on-year rate)

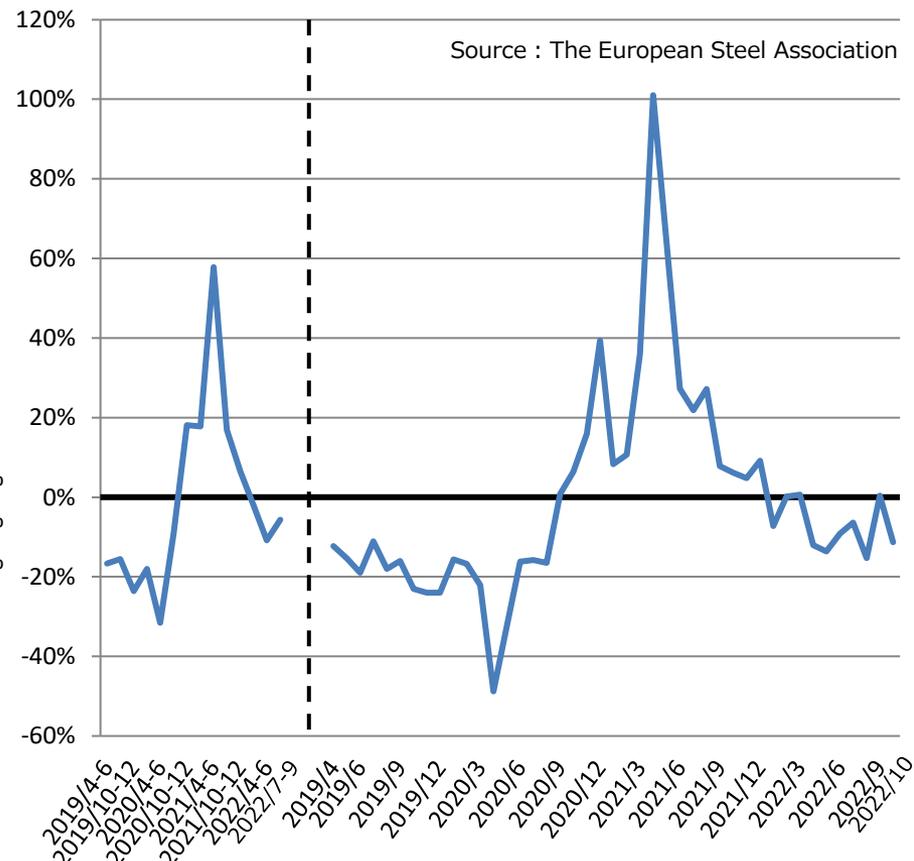


Bearing steel

- 2020/5~ ; bottomed out and easing decline of sales due to COVID-19 impact
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2023/2 ; -20.3% on YoY basis

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

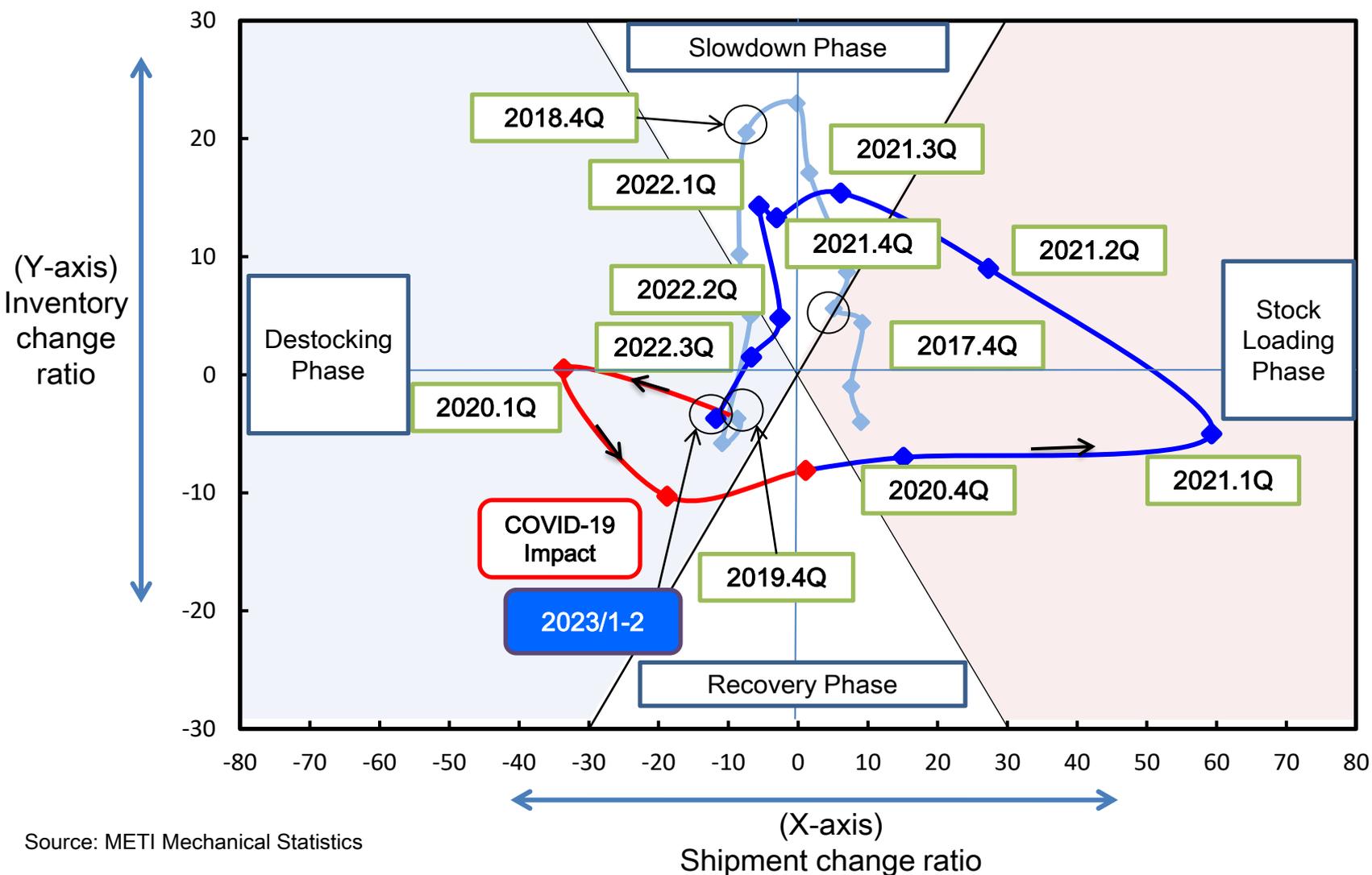
(Year-on-year rate)



European deliveries

- 2020/4~ ; bottomed out and easing decline due to recovery of deliveries
- 2021/4 ; +101.0% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
- 2022/10 ; -11.3% on YoY basis

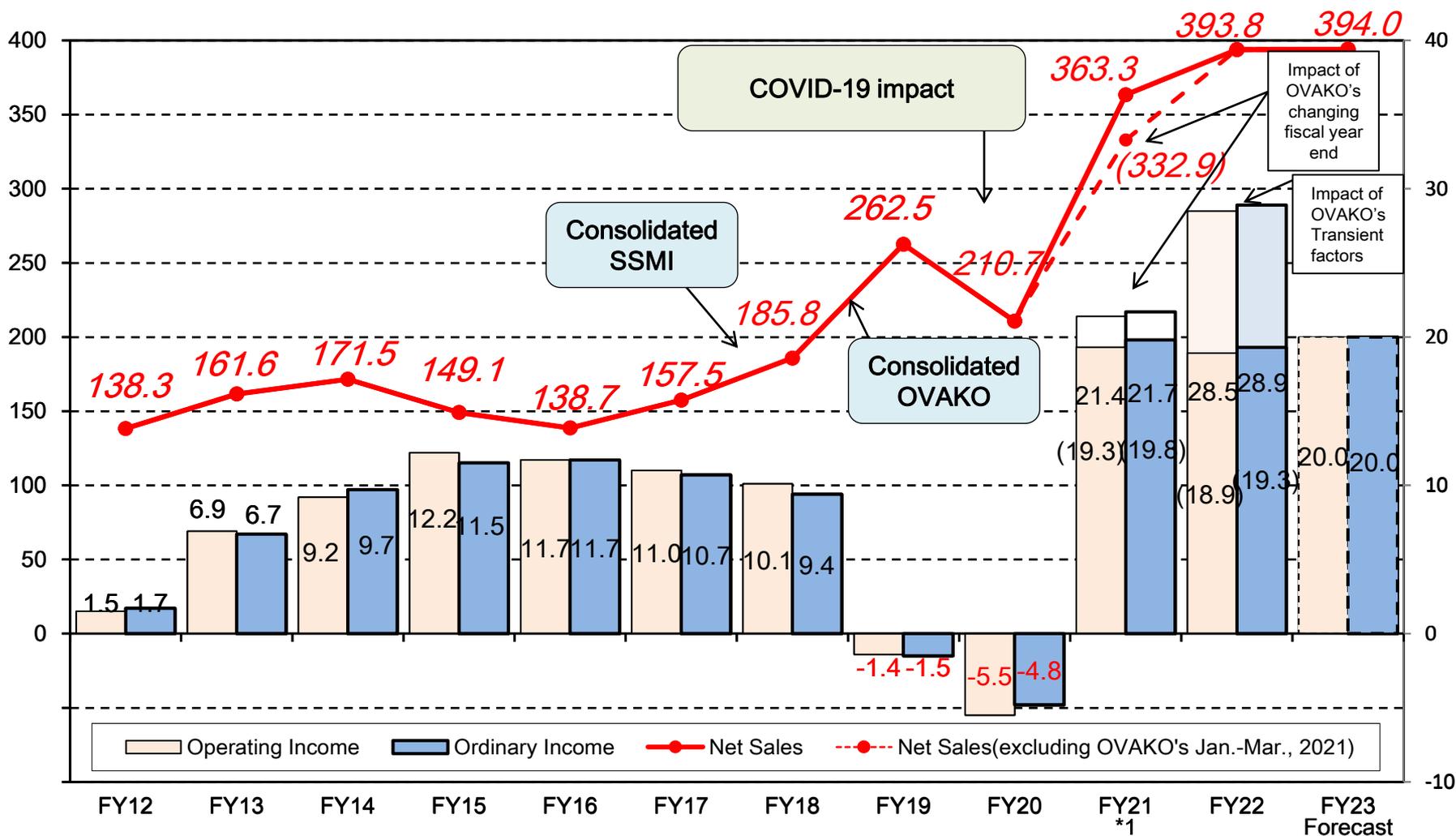
Inventory Circulation Diagram (Bearing Products)



Net Sales and Income (Fiscal)

Net Sales
(Billion yen)

Operating Income
Ordinary Income
(Billion yen)

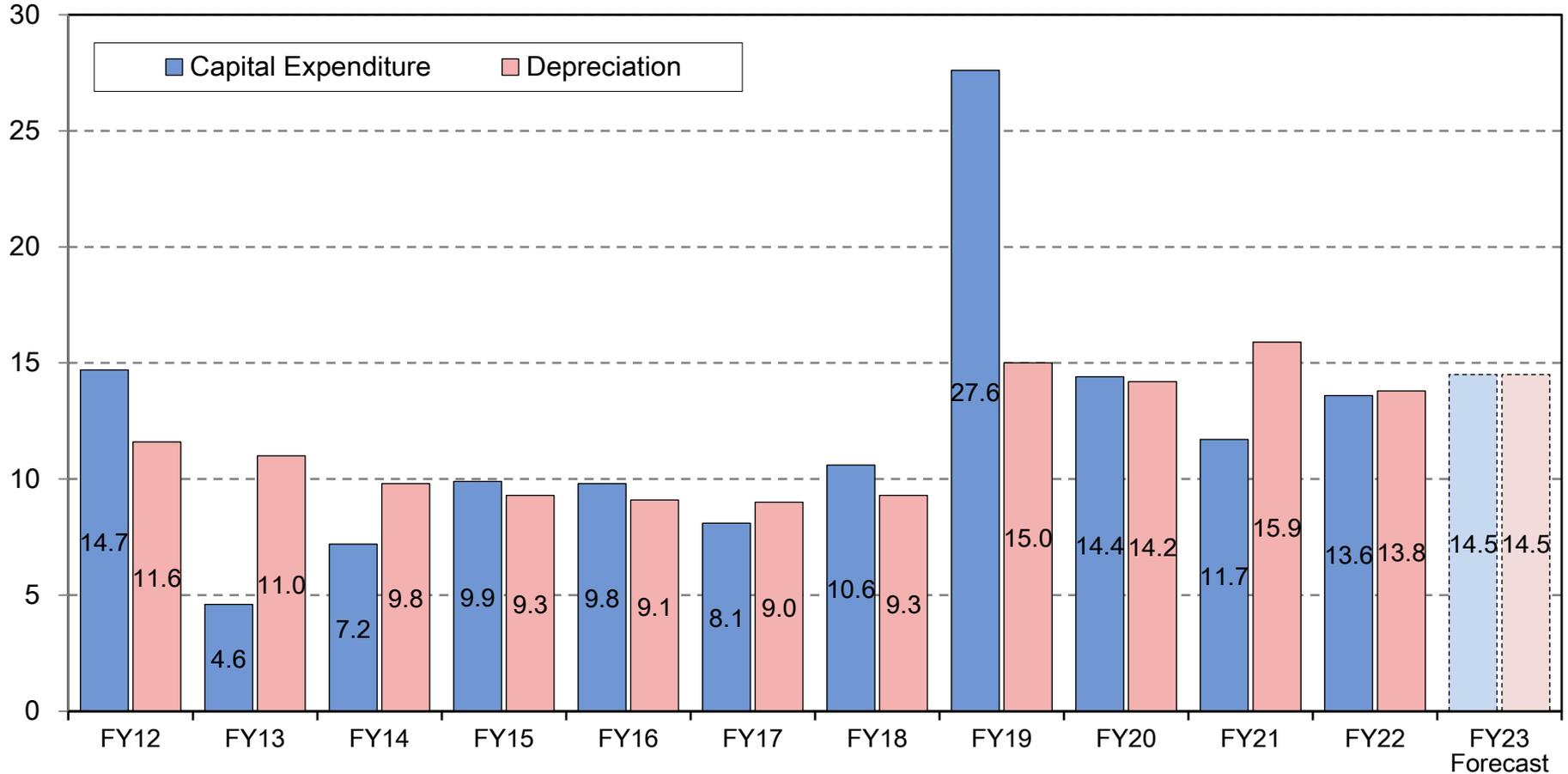


*1 FY21 reflects numbers of OVAKO by 15 months from January, 2021 to March, 2022.

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

Capital Expenditure and Depreciation

(Billion yen)



Details of Statements of Income

(FY22 vs. FY21)

Reference

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

	FY22/1H (A)	FY22/2H (B)	FY22 (C)=(A)+(B)	FY21 (D)	Change (D) → (C)	
					Amount	Ratio (%)
Sales Volume	812	795	1,607	1,995	-387	-19.4
(Sanyo)	458	436	894	1,002	-108	-10.8
(OVAKO)	303	305	608	873	-265	-30.4
(SSMI)	51	54	105	119	-14	-11.9
Net Sales	195.4	198.4	393.8	363.3	+30.6	+8.4
(Sanyo)	96.5	96.7	193.2	168.8	+24.4	+14.5
(OVAKO)	85.7	85.4	171.1	170.9	+0.1	+0.1
(SSMI)	9.9	11.7	21.6	17.3	+4.3	+24.7
Operating Income	13.2	15.3	28.5	21.4	+7.1	+33.0
(Sanyo)	5.3	3.3	8.7	9.2	-0.5	-5.5
(OVAKO)	8.8	12.5	21.4	13.8	+7.5	+54.5
(SSMI)	-0.1	0.2	0.2	0.7	-0.5	-75.2
(Amortization of goodwill)	-1.4	-1.5	-2.9	-3.4	+0.4	-
Ordinary Income	13.7	15.1	28.9	21.7	+7.2	+33.2
(Sanyo)	7.0	3.3	10.2	9.9	+0.3	+2.6
(OVAKO)	8.9	12.2	21.1	13.4	+7.7	+57.4
(SSMI)	-0.2	0.0	-0.2	0.4	-0.6	-
(Amortization of goodwill)	-1.4	-1.5	-2.9	-3.4	+0.4	-
Net Income ^{*3}	9.9	10.9	20.7	15.3	+5.5	+35.9
Earnings Per Share	181.2		380.7	280.2	+100.5	+35.9
Operating Income before amortization of goodwill	14.6	16.8	31.4	24.8	+6.6	+26.7
Ordinary Income before amortization of goodwill	15.2	16.6	31.8	25.0	+6.7	+26.9
Net Income before amortization of goodwill	11.3	12.4	23.7	18.6	+5.0	+27.0
Earnings Per Share before amortization of goodwill	207.5		434.4	342.1	+92.3	+27.0

*1 The consolidated accounting periods for OVAKO including Amortization of goodwill are as follows, FY2022: 12 months(Apr. 2022 to Mar. 2023), FY2021 : 15 months (Jan. 2021 to Mar. 2022)

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

Details of Statements of Income

(FY23 Forecast vs. FY22)

Reference

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

	FY23/1H Forecast (A)	FY23/2H Forecast (B)	FY23 Forecast (C)=(A)+(B)	FY22 (D)	Change (D) → (C)
Sales Volume	760	845	1,605	1,607	-2
(Sanyo)	426	444	870	894	-24
(OVAKO)	274	334	608	608	-
(SSMI)	60	67	127	105	+22
Net Sales	186.0	208.0	394.0	393.8	+0.2
(Sanyo)	94.0	100.0	194.0	193.2	+0.8
(OVAKO)	76.0	91.0	167.0	171.1	-4.1
(SSMI)	12.0	14.0	26.0	21.6	+4.4
Operating Income	6.2	13.8	20.0	28.5	-8.5
(Sanyo)	3.5	7.5	11.0	8.7	+2.3
(OVAKO)	2.8	7.4	10.2	21.4	-11.2
(SSMI)	0.6	0.7	1.3	0.2	+1.1
(Amortization of goodwill)	-1.4	-1.4	-2.9	-2.9	+0.0
Ordinary Income	6.3	13.7	20.0	28.9	-8.9
(Sanyo)	7.2	7.8	15.0	10.2	+4.8
(OVAKO)	2.7	7.3	10.0	21.1	-11.1
(SSMI)	0.3	0.4	0.7	-0.2	+0.9
(Amortization of goodwill)	-1.4	-1.4	-2.9	-2.9	+0.0
Net Income ^{*2}	4.0	10.0	14.0	20.7	-6.7
Earnings Per Share	73.4		256.9	380.7	-123.8
Operating Income before amortization of goodwill	7.6	15.2	22.9	31.4	-8.5
Ordinary Income before amortization of goodwill	7.7	15.2	22.9	31.8	-8.9
Net Income before amortization of goodwill	5.4	11.4	16.9	23.7	-6.8
Earnings Per Share before amortization of goodwill	99.1		310.2	434.4	-124.2

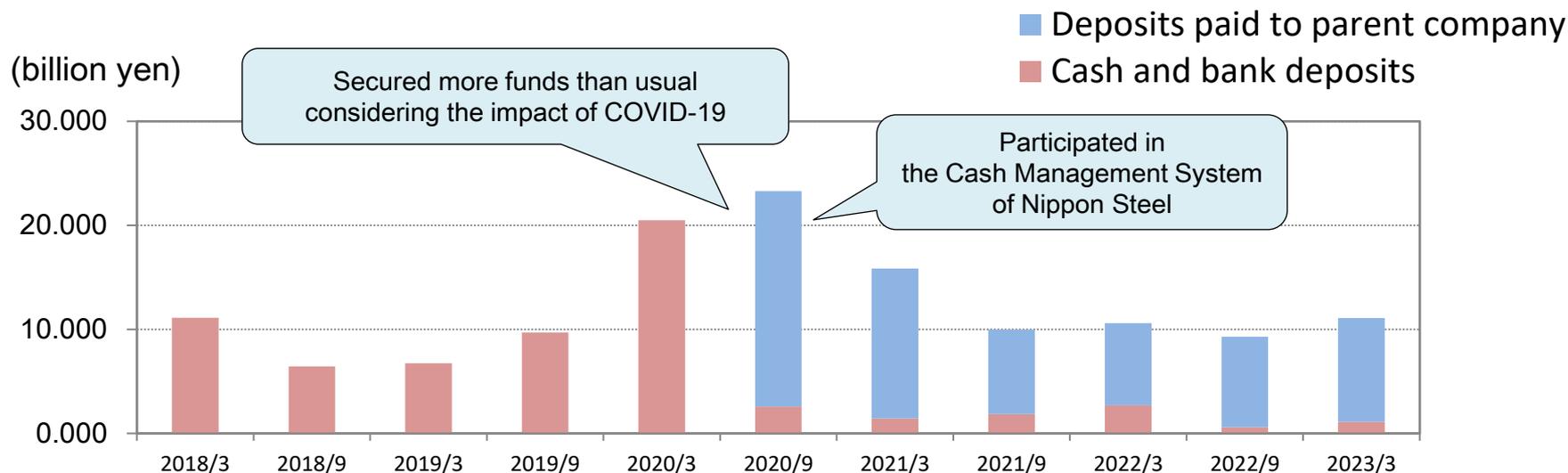
*1 The consolidated accounting period for SSMI is Jan. to Dec.

*2 Profit attributable to owners of parent

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)





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.