

# Overview of Business Results

for the Fiscal Year Ended March 31, 2024

(April 2023 → March 2024)

**April 30, 2024**

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

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



Santo-kun  
(Our mascot)

# Table of Contents

---

## 1. FY2023 Results and FY2024 Forecast

Outline of Statements of Income  
Business Environment  
Business Forecast for FY2024  
Sales Volume (Sanyo)  
Dividend for FY2023 and Dividend Forecast for FY2024

## 2. 2025 Medium-term Management Plan (Revised in July 2023)

## 3. Details of FY2023 Results and FY2024 Forecast

Net Sales and Income (Quarterly), Earnings by Business Segment,  
Balance Sheets (Consolidated), Statements of Cash Flows (Consolidated),  
Ordinary Income Variance Analysis (FY2022 → FY2023 Result, FY2023/3Q → FY2023/4Q,  
FY2023 Previous Forecast → FY2023 Result, FY2023 Result → FY2024 Forecast,  
FY2024/1H Forecast → FY2024/2H Forecast)  
Review of Performance; OVAKO and SSMI

## 4. Topics

## 5. Achieving Carbon Neutrality (CN) by 2050

## 6. Reference

Trends in Main Market  
Net Sales and Income (Fiscal), Capital Expenditure and Depreciation, D/E Ratio  
Details of Statements of Income, etc.

# **1. FY2023 Results and FY2024 Forecast**

# Outline of Statements of Income

**Ordinary Income : 12.1billion yen (-16.7 billion yen against FY2022)**

**Revenue and profit declined due to lower sales volume, deterioration in sales mix and smaller positive transient effects at OVAKO.**

- Although sales price increased through implementations of energy surcharges and other efforts, revenue and profit declined due to lower sales volume magnified by destocking in supply chain, deteriorated sales mix, higher raw material and fuel prices and inflationary pressure on other materials. Absence of strong tailwind from positive one-off effects at OVAKO, seen in FY2022, affected negatively as well.

(Unit: Billion yen)

|   | FY2023 (A)   | FY2022 (B) | Change (B) → (A) | Previous Forecast (C) | Change (C) → (A) |
|---|--------------|------------|------------------|-----------------------|------------------|
| <b>Net Sales</b>                                  | <b>353.8</b> | 393.8      | <b>-40.0</b>     | 355.0                 | <b>-1.2</b>      |
| <b>Operating Income</b>                           | <b>11.4</b>  | 28.5       | <b>-17.1</b>     | 11.4                  | <b>-0.0</b>      |
| <b>Ordinary Income</b>                            | <b>12.1</b>  | 28.9       | <b>-16.7</b>     | 12.0                  | <b>+0.1</b>      |
| <b>ROS (%)</b>                                    | <b>3.4</b>   | 7.3        | <b>-3.9</b>      | 3.4                   | <b>+0.0</b>      |
| (Sanyo)   | 9.0          | 10.2       | -1.2             | 8.5                   | +0.5             |
| (OVAKO)   | 8.4          | 21.1       | -12.7            | 8.5                   | -0.1             |
| (SSMI)  | 0.7          | -0.2       | +0.9             | 0.7                   | -0.0             |
| (Amortization of goodwill)                        | -3.2         | -2.9       | -0.3             | -3.2                  | -0.0             |
| <b>Net Income<sup>*1</sup></b>                    | <b>9.1</b>   | 20.7       | <b>-11.7</b>     | 8.5                   | <b>+0.6</b>      |
| <b>Net Income before amortization of goodwill</b> | <b>12.3</b>  | 23.7       | <b>-11.4</b>     | 11.7                  | <b>+0.6</b>      |
| <b>Sales Volume (Thousand tons)</b>               | <b>1,429</b> | 1,607      | <b>-179</b>      | 1,450                 | <b>-21</b>       |
| (Sanyo)   | 806          | 894        | -88              | 817                   | -11              |
| (OVAKO)   | 508          | 608        | -101             | 517                   | -10              |
| (SSMI)  | 115          | 105        | +10              | 115                   | -0               |

\*1 Profit attributable to owners of parent

\*2 The consolidated accounting period for SSMI is Jan. to Dec.

# Business Environment

## Demand Trends

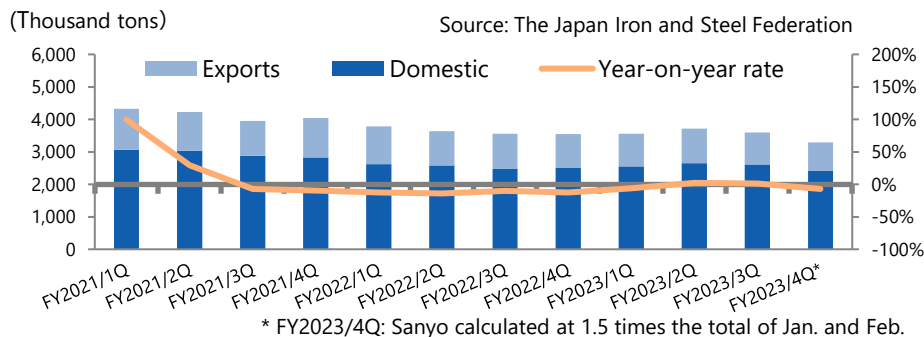
**Japan** : Even though sales momentum differed among manufacturers, overall automobile production staged a gradual recovery in FY2023, partially affected by production and shipment halts. Demand for construction and industrial machinery declined as destocking expanded due to deceleration of China's economic growth and weakening of capital investment appetite globally. Demand recovery is expected to start in FY2024/2H.

**Europe** : A downturn in demand continued due to high interest rates in Europe and deceleration of China's economic growth and these economic conditions dealt more significant blow to European competitors. Demand recovery is expected in FY2024/2H following interest rate cuts in the middle of the year.

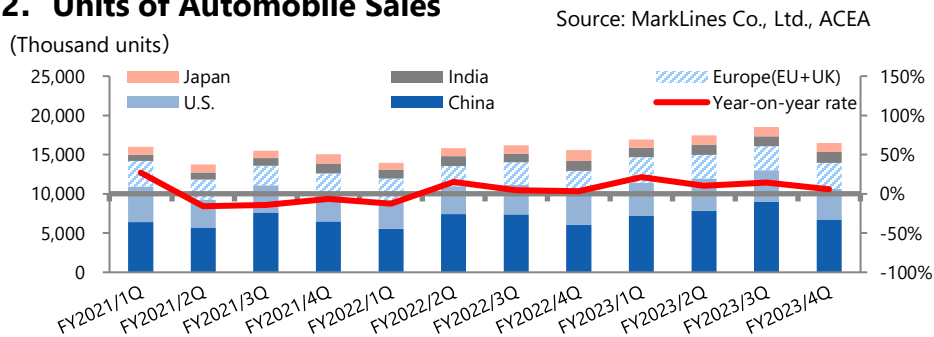
## Raw Material and Fuel Prices

Prices are generally on declining trend. In FY2024, prices are expected to fall on YOY basis but still remain at high levels. Logistics and other costs are set to remain under inflationary pressure.

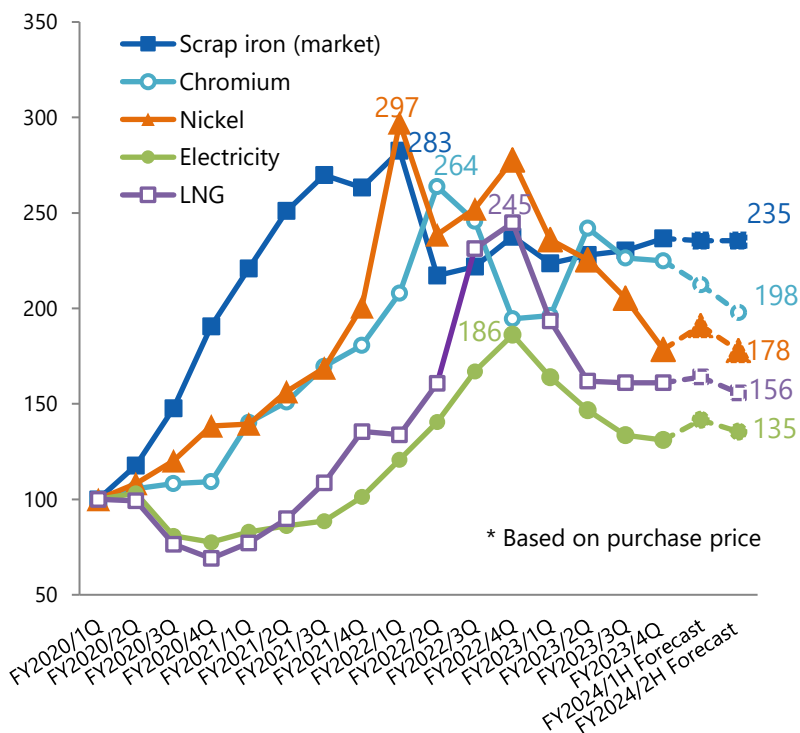
### 1. Volume of Order Booked (Specialty Steel Products)



### 2. Units of Automobile Sales



### 3. Raw Material and Fuel Prices (FY2020/1Q = 100)

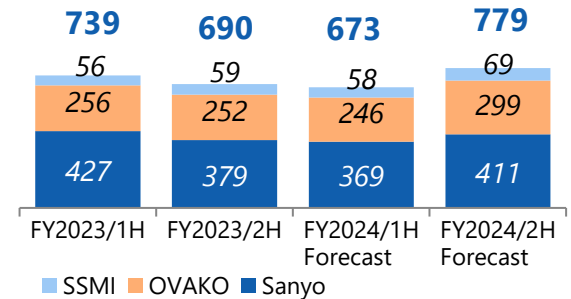


# Business Forecast for FY2024 (Announced on April 30, 2024)

## Ordinary Income Forecast for FY2024 : 13.0 billion yen (+0.9 billion yen against FY2023)

- Volume is expected to increase gradually toward end of FY2024. The annual volume, however, is seen to be on par with the FY2023 level.
- Raw material and fuel prices are seen remaining at high levels although YOY drops are expected. Inflationary pressure on logistics and other costs are likely to continue.
- We plan to expand margin by revising prices and reducing costs.

(Reference) Sales Volume (Thousand tons/H)



(Unit: Billion yen)

|   | FY24/1H<br>Forecast<br>(A) | FY24/2H<br>Forecast<br>(B) | FY2024 Forecast<br>(C)=(A)+(B) |              | FY2023<br>(D) |           | Change<br>(D) → (C) |              |
|---|----------------------------|----------------------------|--------------------------------|--------------|---------------|-----------|---------------------|--------------|
|   |                            |                            | Amount                         | Ratio (%)    | Amount        | Ratio (%) | Amount              | Ratio (%)    |
| <b>Net Sales</b>                                      | <b>162.5</b>               | <b>182.5</b>               | <b>345.0</b>                   | <b>100.0</b> | 353.8         | 100.0     | <b>-8.8</b>         | <b>-2.5</b>  |
| <b>Operating Income</b>                               | <b>2.1</b>                 | <b>10.3</b>                | <b>12.4</b>                    | <b>3.6</b>   | 11.4          | 3.2       | <b>+1.0</b>         | <b>+9.1</b>  |
| <b>Ordinary Income</b>                                | <b>2.0</b>                 | <b>11.0</b>                | <b>13.0</b>                    | <b>3.8</b>   | 12.1          | 3.4       | <b>+0.9</b>         | <b>+7.3</b>  |
| (Sanyo)   | 4.2                        | 6.3                        | 10.5                           | 6.4          | 9.0           | 5.0       | +1.5                | +17.1        |
| (OVAKO)   | 1.8                        | 4.7                        | 6.5                            | 4.4          | 8.4           | 5.9       | <b>-1.9</b>         | <b>-22.9</b> |
| (SSMI)  | 0.3                        | 0.7                        | 1.0                            | 3.8          | 0.7           | 2.9       | +0.3                | +49.4        |
| (Amortization of goodwill)                            | <b>-1.6</b>                | <b>-1.5</b>                | <b>-3.1</b>                    | —            | <b>-3.2</b>   | —         | +0.1                | —            |
| <b>Net Income<sup>*1</sup></b>                        | <b>1.0</b>                 | <b>8.5</b>                 | <b>9.5</b>                     | <b>2.8</b>   | 9.1           | 2.6       | <b>+0.4</b>         | <b>+4.9</b>  |
| <b>ROE (%)</b>  |                            |                            | <b>4.1</b>                     |              | 4.1           |           | —                   |              |
| <b>Net Income<br/>before amortization of goodwill</b> | <b>2.6</b>                 | <b>10.0</b>                | <b>12.6</b>                    | <b>3.7</b>   | 12.3          | 3.5       | <b>+0.3</b>         | <b>+2.4</b>  |
| <b>ROE (%)</b>  |                            |                            | <b>5.6</b>                     |              | 5.6           |           | —                   |              |
| <b>Sales Volume (Thousand tons)</b>                   | <b>673</b>                 | <b>779</b>                 | <b>1,452</b>                   |              | 1,429         |           | <b>+23</b>          | <b>+1.6</b>  |

\*1 Profit attributable to owners of parent

\*2 The consolidated accounting period for SSMI is Jan. to Dec.

Major assumptions after April 2024

- Scrap iron 52,000 yen/t (H2 market price in Himeji area)
- Crude oil (Dubai) 90\$/BL · Exchange rate 140 yen/US\$, 150 yen/€

# Sales Volume (Sanyo)

## Demand Trends

Automobile Industry

Overall domestic automobile production in FY2023 enjoyed a moderate recovery while there were differences in sales momentum among manufacturers and some movements of destocking within supply chain. Impact of temporary production and shipment halts carried out in late FY2023 might push down demand from the sector at the beginning of FY2024. Demand, however, is likely to be on gradual recovery trend later in the year.

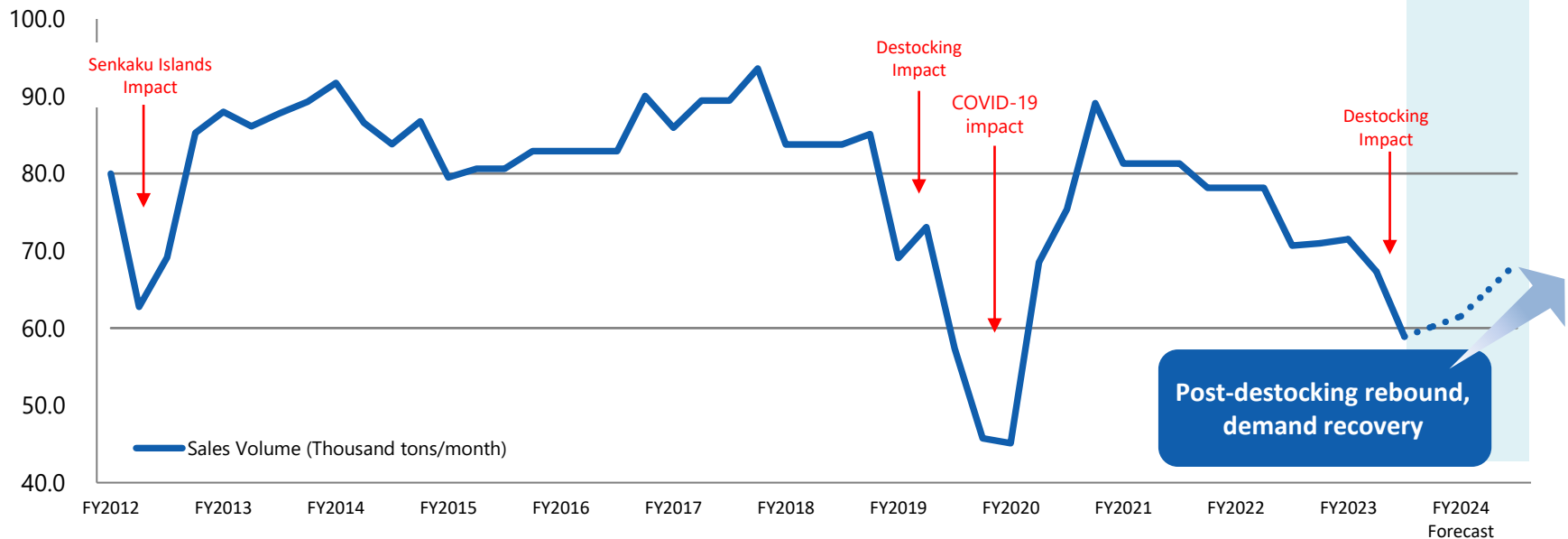
Industrial Machinery Industry

Destocking expanded in FY2023/2H as demand for industrial machinery and semiconductor manufacturing equipment shrank due to delayed Chinese economic recovery. Demand is expected to recover in FY2024 on the back of post-destocking rebound in the first half and bottoming out of customer activities, such as in semiconductor sector, in the second half.

Construction Machinery Industry

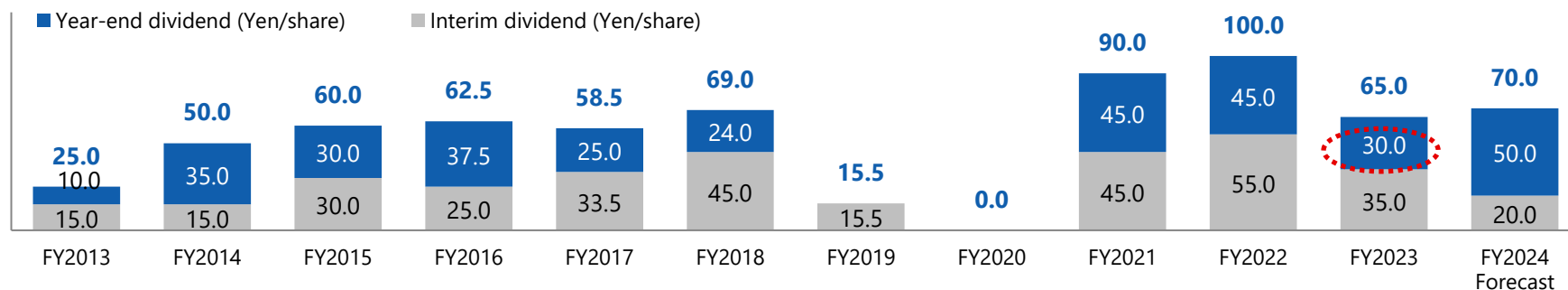
Destocking phase began in FY2023/2H, as production cutbacks were carried out amid weakening demand reflecting global economic uncertainties and deterioration in capital investment appetite. Destocking is expected to end in FY2024.

## Sales Volume (Sanyo)



# Dividend for FY2023 and Dividend Forecast for FY2024

|  |          |                  | FY23/1H<br>(Result) | FY23 Previous Forecast<br>(Announced on<br>Feb. 2, 2024) | FY2023 Full<br>Confirmed<br>Amount | FY2024 Forecast<br>(Announced on<br>Apr. 30, 2024) |             |
|--|----------|------------------|---------------------|--|------------------------------------|--|-------------|
|  |          |                  | 1H                  | Full   | Full                               | 1H   | Full        |
| Earnings Per Share                                       | A        | Yen/share        | 96.1                | 156.0  | 166.2                              | 18.4   | 174.4       |
| Earnings Per Share<br>before amortization<br>of goodwill | B        | Yen/share        | 125.3               | 214.7  | 225.8                              | 47.7   | 231.3       |
| <b>Dividend</b>  | <b>C</b> | <b>Yen/share</b> | <b>35.0</b>         | <b>65.0</b>  | <b>65.0</b>                        | <b>20.0</b>  | <b>70.0</b> |
| Payout Ratio   | C/A      | %                | 36.4                | 41.7   | 39.1                               | 109.0  | 40.1        |
|  | C/B      | %                | 27.9                | 30.3   | 28.8                               | 41.9   | 30.3        |



## <Dividend Policy>

Comprehensively considering dividend payout ratio, dividend per share and necessary funds for future investment, etc.

Consolidated dividend payout ratio:(In principle) approx. **35%**,  
(Excluding goodwill amortization) approx. **30%**

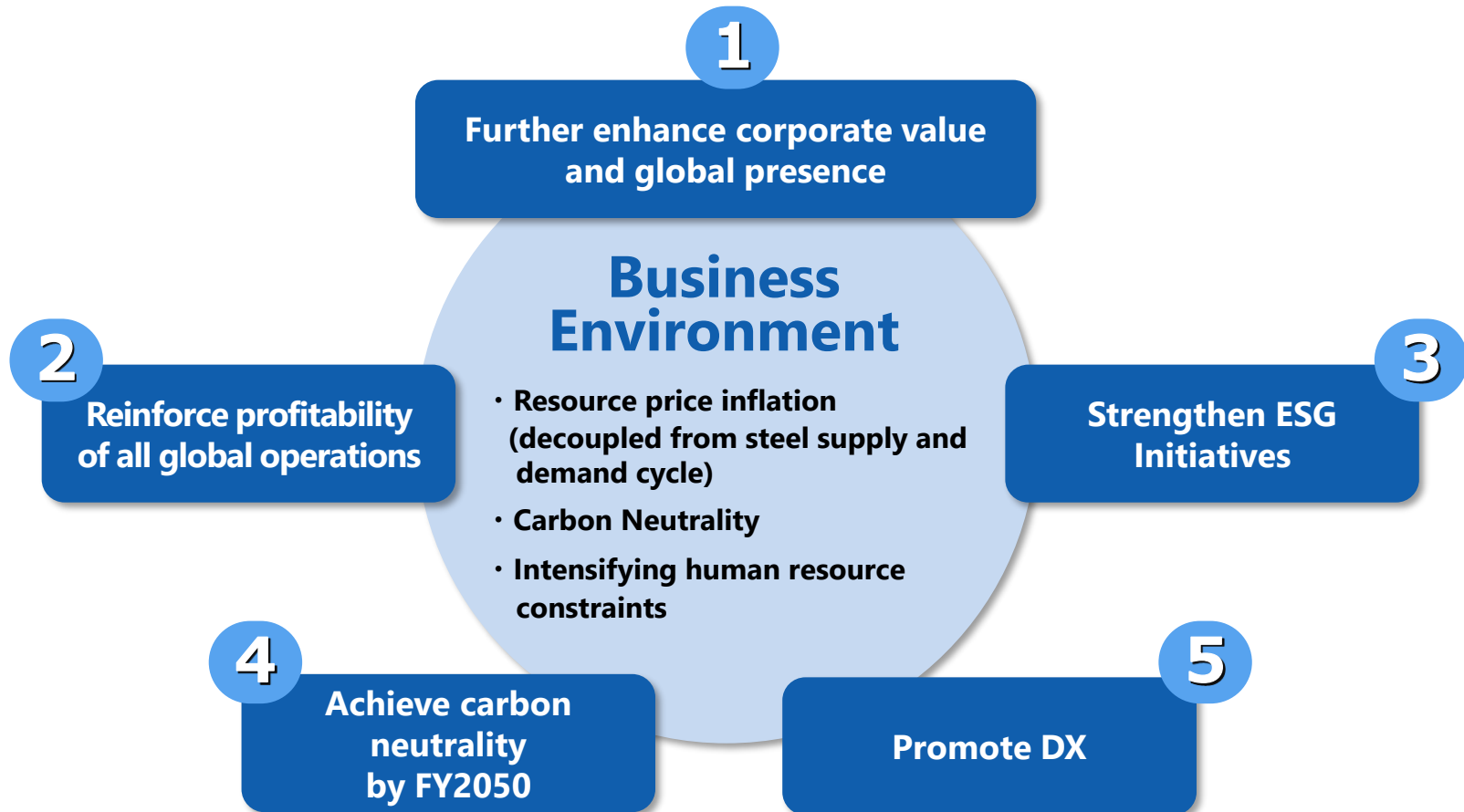


## **2. 2025 Medium-term Management Plan (Revised in July 2023)**

# 2025 Medium-term Management Plan (Revised in July 2023)

## 5-Pillar-Initiative to Deal with Changing Business Environment

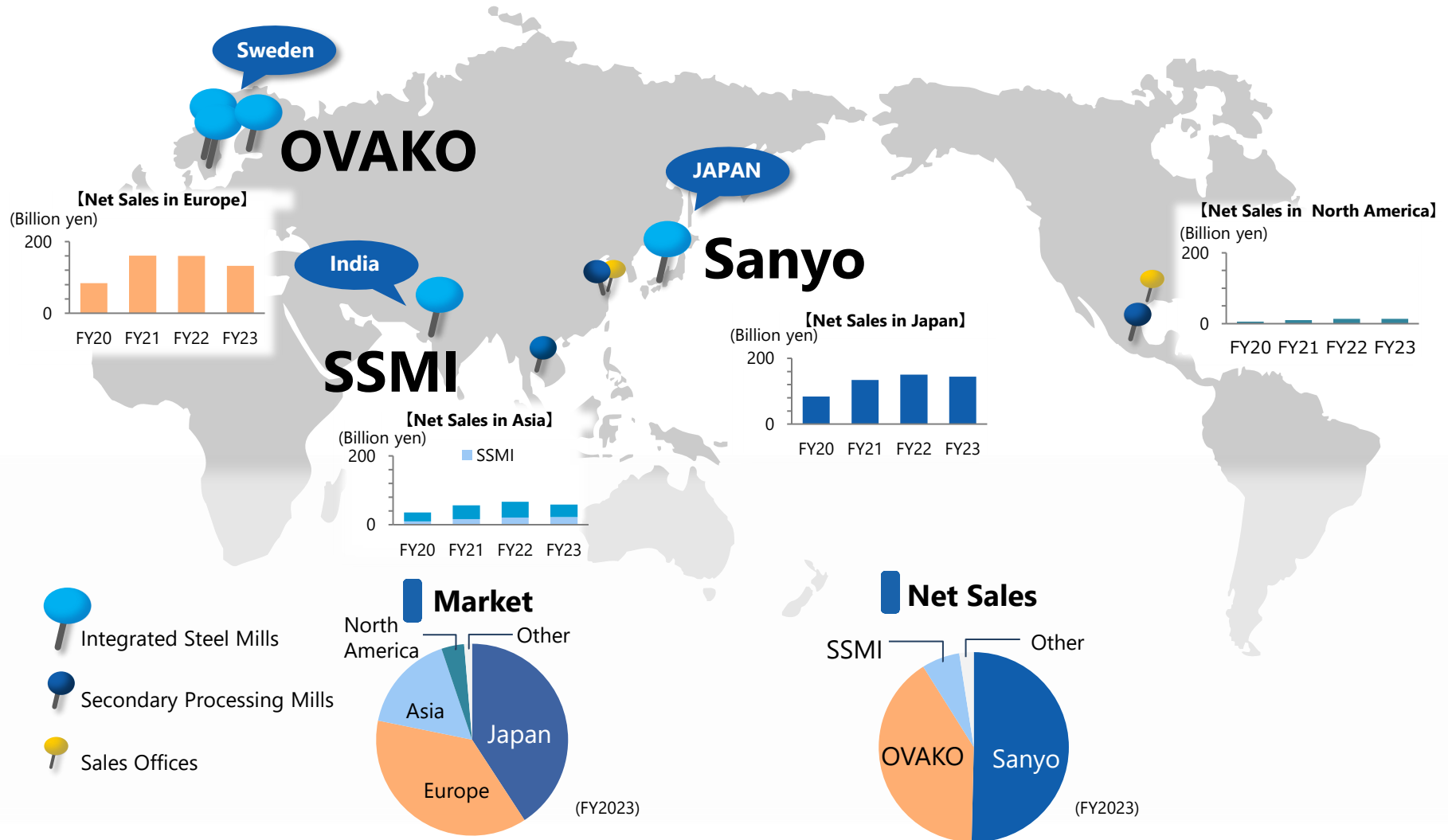
In July 2023, Sanyo revised 2025 Mid-Term Management Plan covering the period from FY2021 to FY2025. The revision was made in light of major changes in business environment that have arisen since the compilation of original plan, such as resource price inflation (decoupled from steel supply and demand cycle), intensifying human resource constraints and accelerated drive to EVs and carbon neutrality. We are addressing the changing business environment with five core pillars.



# Strengthen Global Business Foundation

## Further Enhance Corporate Value and Global Presence

We seek opportunities that would help us strengthen our global business foundation and improve our corporate value and presence in the global market.

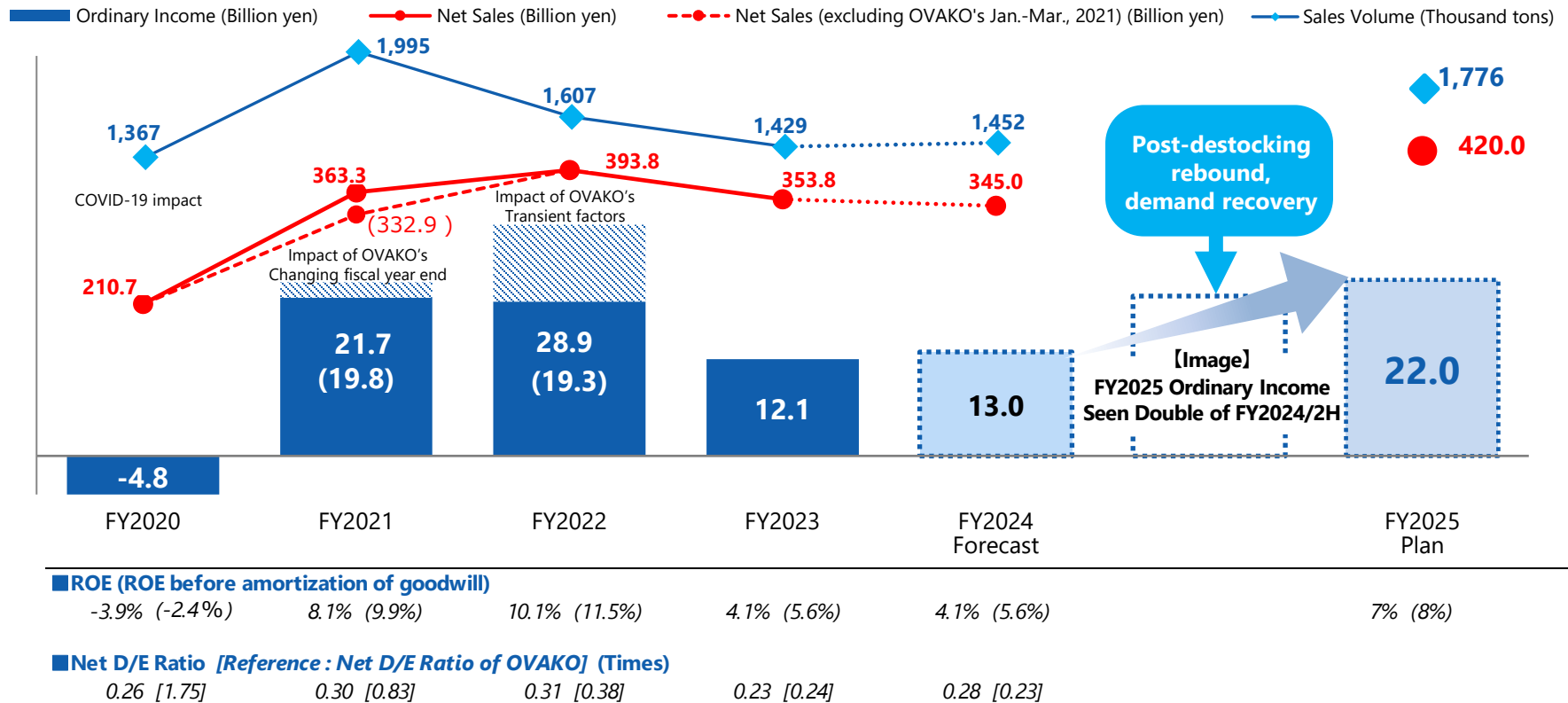


# Financial targets

## Earnings power improving although latest ordinary income at relatively low level due to volume drop

We aim to achieve FY2025 targets (consolidated ordinary income of 22.0 billion yen, ROE of 7% (8% before amortization of goodwill) through gradual volume increases and efforts to improve margin.

- FY2023 : Decline in sales volume pushed down ordinary income to 12.1 billion yen and ROE to 4.1% (5.6% before amortization of goodwill).
- FY2024 : For the full year, ordinary income is expected to increase slightly to 13.0 billion yen and ROE is forecasted to stay flat from FY2023. Ordinary income in the second half of FY2024 is forecasted at 11.0 billion yen, based on premises that there will be a certain degree of volume recovery and efforts such as price revisions and cost cuts will lead to improved margin.



# Efforts to Improve Corporate Value ①

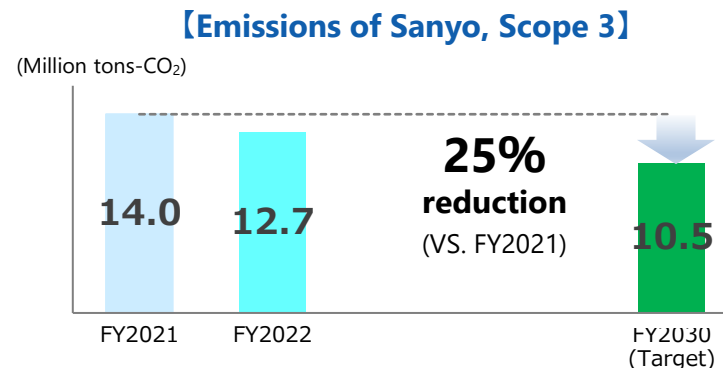
## CN : OVAKO's Carbon-Free Hydrogen Plant on Operation

- In September 2023, one of the largest hydrogen facilities in Europe was inaugurated at OVAKO's Hofors mill.
- Further efforts to address climate issues will be promoted, including possible introductions of hydrogen plant at other OVAKO mills.

## CN : Establishment of Scope 3 Targets

- Sanyo will set up Scope 3 emission reduction targets and aim for realizing its goal of "reducing greenhouse gas emissions by 25 pct from the FY2021 level by FY2030."
- Steadily implement measures to reduce Scope 3 emissions in cooperation with supply chain partners.\*

\* In April 2024, briefing session was held for major suppliers related to Scope 3 (Category 1).



## CN : Commitment to SBT

- Sanyo has signed a commitment letter to join the Science Based Targets initiative and announced its goal of acquiring SBT certificate within 2 years.
- Under the SBT initiative, a participating company is required not only to address Scope 1 and 2 emissions referring to those emitted by the company but also Scope 3 covering emissions from activities across the company's supply chain.
- Sanyo is considering expanding the scope of its emission reduction targets to include domestic and overseas subsidiaries.



## FY2023 Climate Change Score Upgraded to "A-"

The CDP upgraded climate change score for Sanyo by one notch from FY2022 to "A-", the highest score among Japanese makers specialized in special steel production.

## Efforts to Improve Corporate Value ②

### Governance : Addition of ESG Indicators in Executive Compensation Determination

- 5 ESG indicators (CDP climate change score, health management rating, safety index, ratio of female managers and evaluation of board performance by outside directors) were added to numerical indicators for determining executive compensation.

### DX : Promotion Spearheaded by President

- Digital transformation is progressing under project team headed by President.
- Progressing projects include building of integrated information platform for data utilization, realization of visualization/real-time availability of information using state-of-the-art digital technologies, reforms of operation process and business models through automation and streamlining of work.

### Governance : Mutual Sales of Cross-Shareholdings

- Mutual sales of cross-shareholdings was carried out for promotion of market distribution of Sanyo shares and reduction of capital cost.

|   | <u>2023/Mar.</u> | → | <u>2024/Mar.</u> |
|---|------------------|---|------------------|
| Ratio of shares in circulation            | 37.5%            | → | 38.4%            |
| Ratio of cross-shareholdings to net asset | approx. 5%       | → | approx. 2%       |

### Enhancement of IR Activities

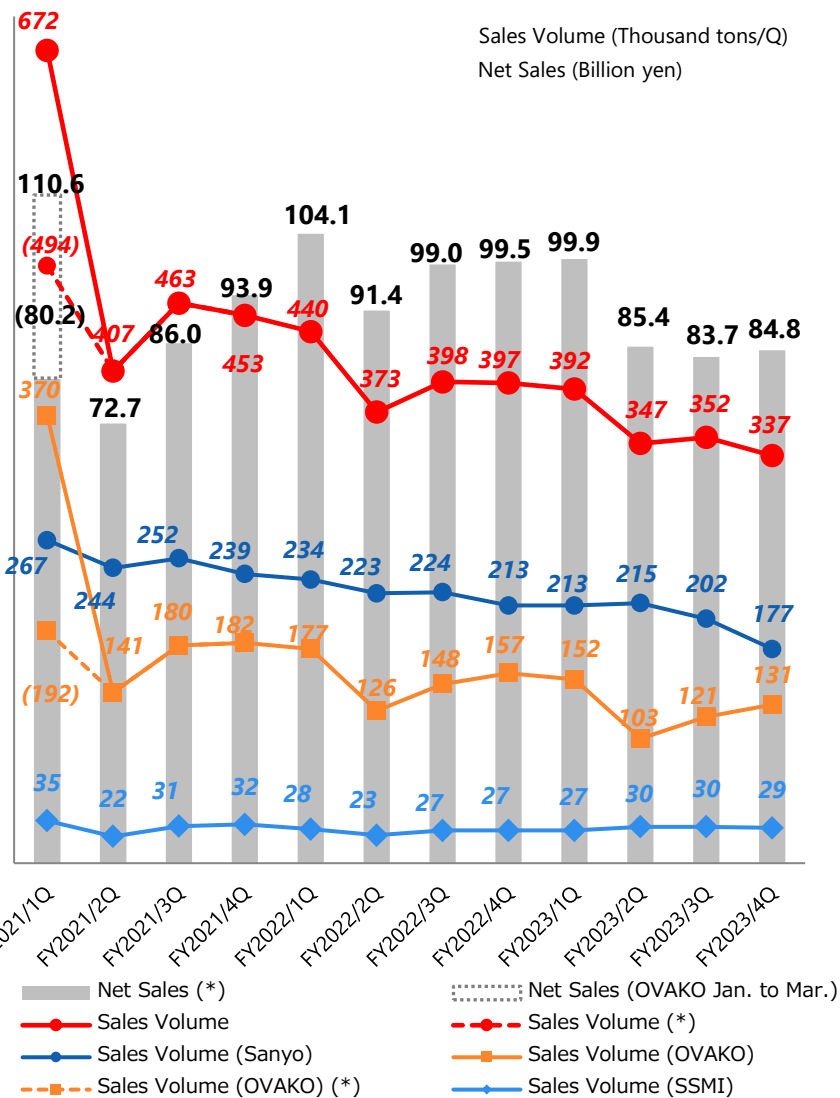
- Proactively increasing opportunities for interactions with investors, such as holding of ESG briefing for institutional investors in December 2023.



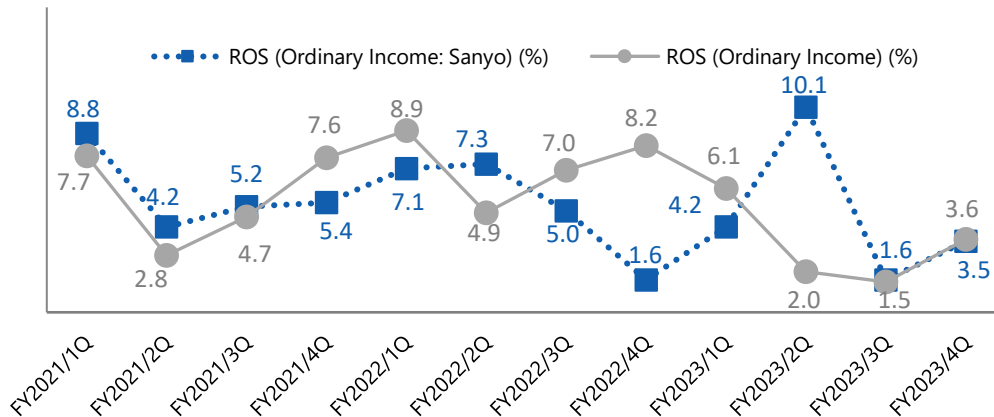
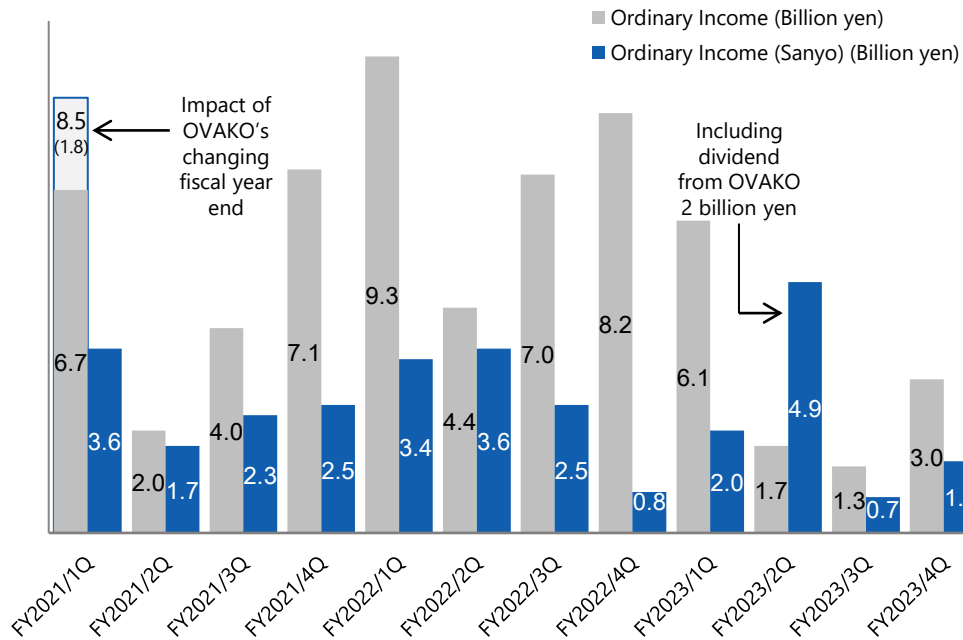
ESG briefing for institutional investors where presentations were made by President and other company executives.

## **3. Details of FY2023 Results and FY2024 Forecast**

# Net Sales and Income (Quarterly)



(\*) Excluding OVAKO's sales Jan. to Mar.





# Earnings by Business Segment

(Unit: Billion yen)

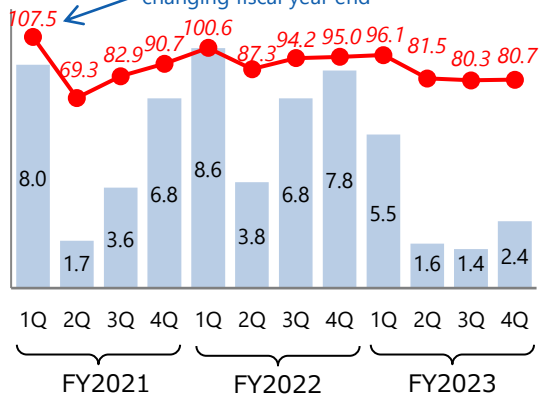
|                                 | FY2023 (A)   |                  |            | FY2022 (B)   |                  |            | Change (B) → (A) |                  |             |
|---------------------------------|--------------|------------------|------------|--------------|------------------|------------|------------------|------------------|-------------|
|                                 | Net Sales    | Operating Income | ROS (%)    | Net Sales    | Operating Income | ROS (%)    | Net Sales        | Operating Income | ROS (%)     |
| Steel Products                  | 338.6        | 10.8             | 3.2        | 377.1        | 27.0             | 7.2        | -38.4            | -16.2            | -4.0        |
| Metal Powders                   | 5.3          | 0.9              | 17.5       | 5.3          | 1.0              | 18.9       | +0.0             | -0.1             | -1.4        |
| Formed and Fabricated Materials | 18.4         | -0.5             | -2.7       | 19.9         | 0.4              | 1.8        | -1.5             | -0.9             | -4.5        |
| <b>Sub-total</b>                | <b>362.4</b> | <b>11.3</b>      | <b>3.1</b> | <b>402.2</b> | <b>28.4</b>      | <b>7.0</b> | <b>-39.9</b>     | <b>-17.1</b>     | <b>-3.9</b> |
| Others                          | 1.5          | 0.0              | 2.5        | 1.4          | 0.0              | 2.2        | +0.1             | +0.0             | +0.3        |
| Adjustments                     | -10.1        | 0.1              | —          | -9.8         | 0.1              | —          | -0.3             | -0.0             | —           |
| <b>Consolidated total</b>       | <b>353.8</b> | <b>11.4</b>      | <b>3.2</b> | <b>393.8</b> | <b>28.5</b>      | <b>7.2</b> | <b>-40.0</b>     | <b>-17.1</b>     | <b>-4.0</b> |

## Change in Business Segment

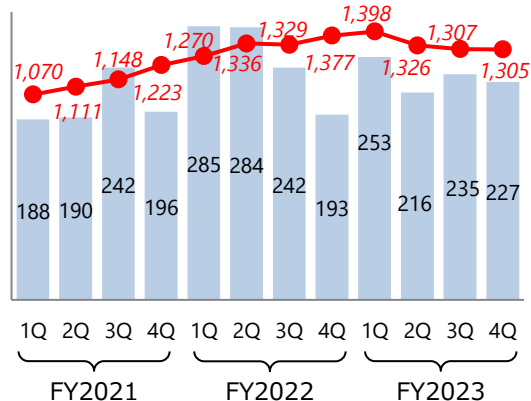
Operating Income Sales

### Steel Products (Unit: Billion yen)

Including impact of OVAKO's changing fiscal year end

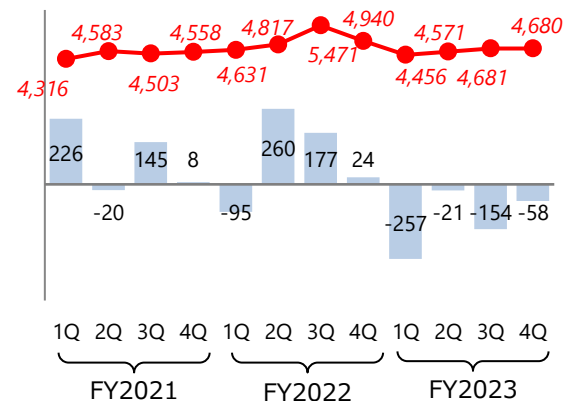


### Metal Powders (Unit: Million yen)



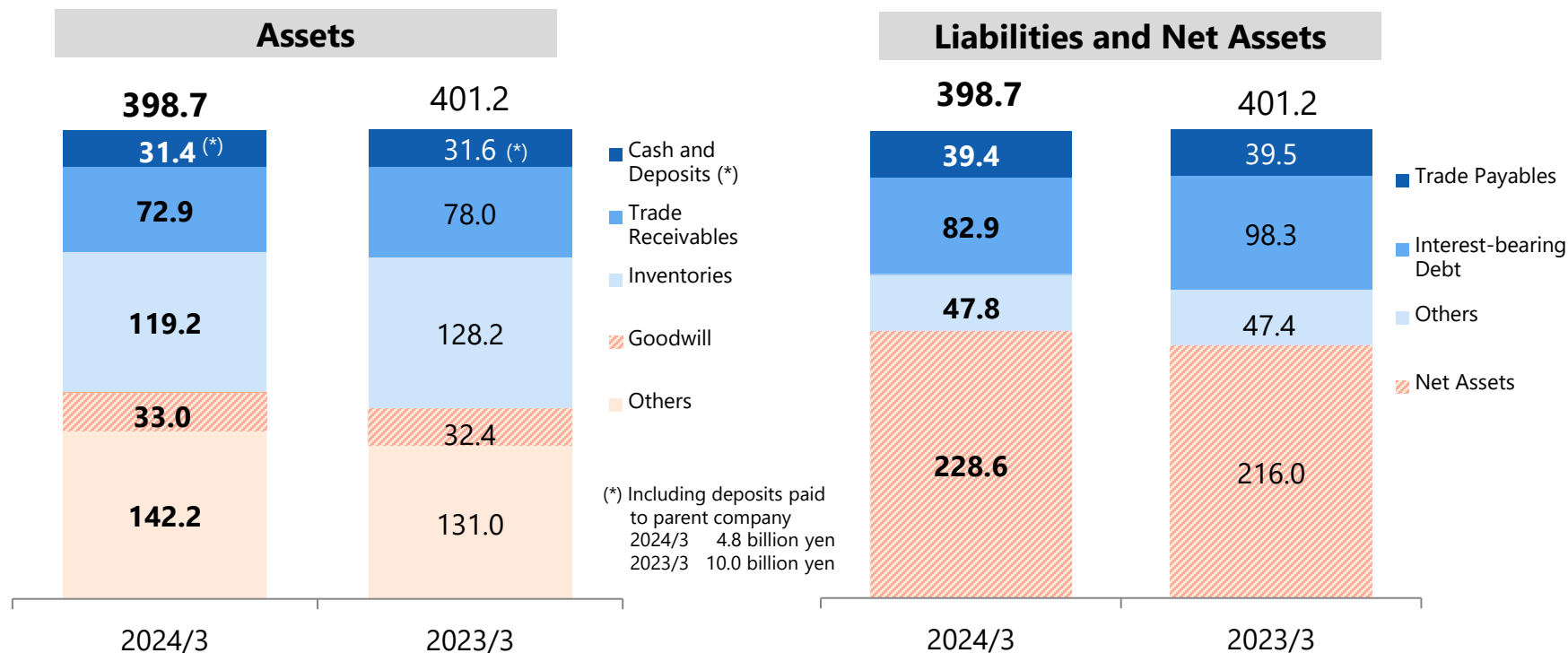
### Formed and Fabricated Materials (Unit: Million yen)

(Unit: Million yen)



# Balance Sheets (Consolidated)

(Billion yen)



## Major changes in Assets

**-2.5 billion yen (-0.6%)**

(including foreign exchange impact +15.7 billion yen)

|   |       |
|---|-------|
| Trade Receivables                                 | -5.1  |
| Inventories                                       | -9.1  |
| Goodwill  | +0.5  |
| (amortization -3.2, foreign exchange impact +3.8) |       |
| Others  | +11.1 |

## Major changes in Liabilities and Net Assets

**-2.5 billion yen (-0.6%)**

(including foreign exchange impact +15.7 billion yen)

|                       |        |
|-----------------------|--------|
| Interest-bearing Debt | - 15.4 |
| Net Assets            | +12.6  |

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Mar. 2024, non-consolidated basis)  
 Sanyo 268.7 billion yen, OVAKO 135.2 billion yen, SSMI 14.6 billion yen

|              |        |        |
|--------------|--------|--------|
| Equity Ratio | 2024/3 | 2023/3 |
|              | 56.9%  | 53.4%  |

# Statements of Cash Flows (Consolidated)

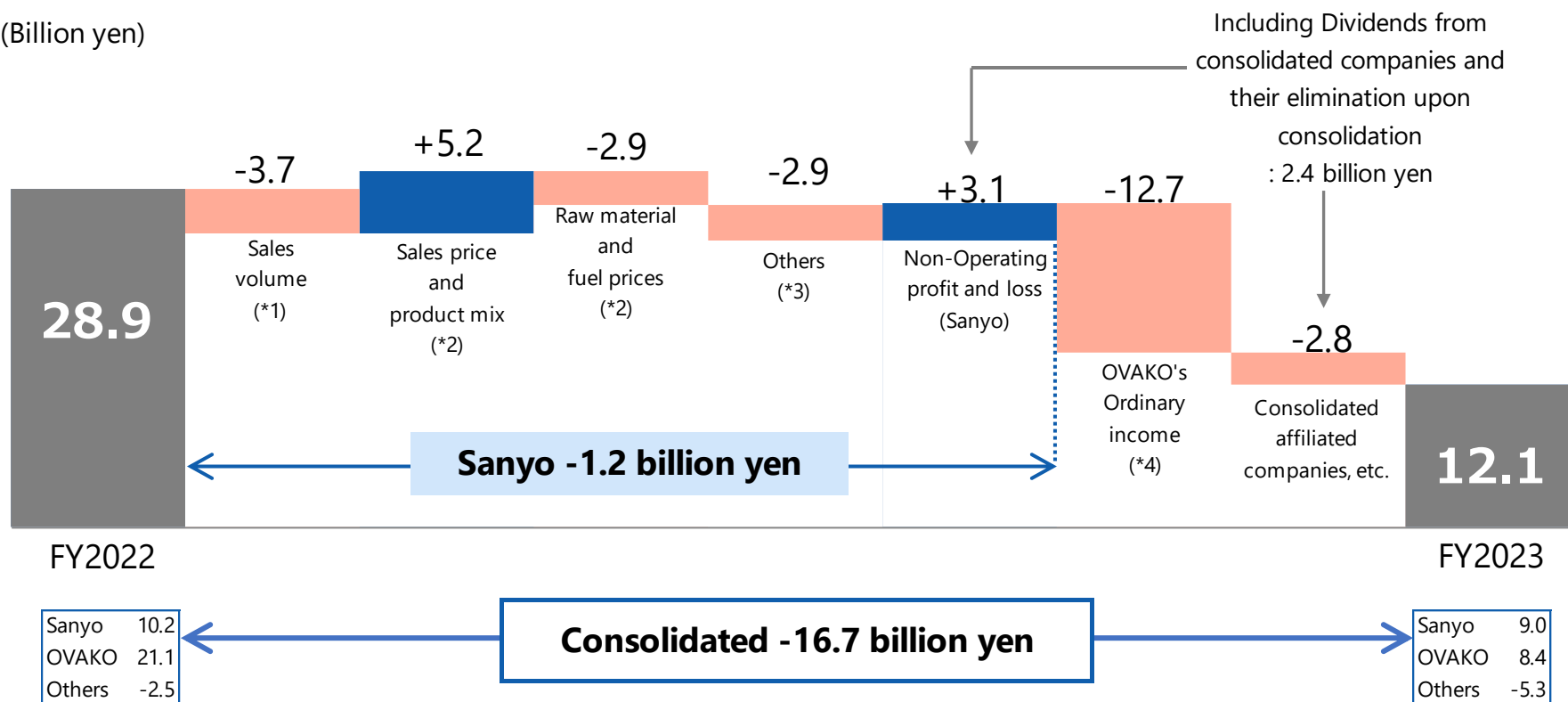
(Unit : Billion yen)

|   | FY2019       | FY2020       | FY2021       | FY2022       | FY2023       |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Cash flows from operating activities (A)</b>                               | <b>39.4</b>  | <b>22.3</b>  | <b>7.1</b>   | <b>12.2</b>  | <b>40.6</b>  |
| Net income before income taxes  | 16.0         | 11.2         | 40.3         | 44.7         | 30.0         |
| Depreciation & Amortization of goodwill                                       | 19.3         | 20.7         | 19.3         | 16.7         | 17.0         |
| Income taxes  | -4.2         | 1.3          | -0.4         | -7.4         | -7.6         |
| Working capital, etc.   | 27.6         | 9.8          | -32.7        | -25.1        | 18.2         |
| <b>Cash flows from investing activities (B)</b>                               | <b>-12.5</b> | <b>-19.4</b> | <b>-13.3</b> | <b>-12.8</b> | <b>-15.9</b> |
| Capital expenditure   | -18.3        | -18.9        | -13.7        | -13.1        | -16.8        |
| Proceeds from sale of securities  | 2.2          | 0.3          | 0.6          | 0.0          | 1.7          |
| Others  | 3.6          | -0.8         | -0.1         | 0.3          | -0.9         |
| <b>Free cash flows (A+B)</b>  | <b>27.0</b>  | <b>2.9</b>   | <b>-6.2</b>  | <b>-0.6</b>  | <b>24.7</b>  |
| <b>Cash flows from financing activities (C)</b>                               | <b>-21.1</b> | <b>-5.5</b>  | <b>2.3</b>   | <b>8.5</b>   | <b>-27.4</b> |
| Increase/Decrease in borrowings/bonds/<br>commercial papers/lease obligations | -16.4        | -5.4         | 4.8          | 14.4         | -20.5        |
| Purchases or Sales of treasury stock  | -2.5         | -0.0         | -0.0         | -0.0         | -0.0         |
| Cash dividends  | -2.2         | -0.0         | -2.4         | -5.5         | -4.4         |
| Others  | -0.0         | -0.0         | -0.0         | -0.4         | -2.6         |
| <b>Translation Difference (D)</b>   | <b>-0.4</b>  | <b>0.2</b>   | <b>0.9</b>   | <b>1.2</b>   | <b>2.4</b>   |
| <b>Net Increase/Decrease in Cash and cash<br/>equivalents (A+B+C+D)</b>       | <b>5.4</b>   | <b>-2.3</b>  | <b>-3.0</b>  | <b>9.1</b>   | <b>-0.3</b>  |

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

# Ordinary Income Variance Analysis (FY2022 → FY2023 Result)

(Billion yen)



## (\*1) Sales volume

- 10% (-88: 894 → 806 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap :-1.6 (+1.3 → -0.3)
- Energy :+4.7 (-3.0 → +1.7)

## (\*3) Breakdown of Others

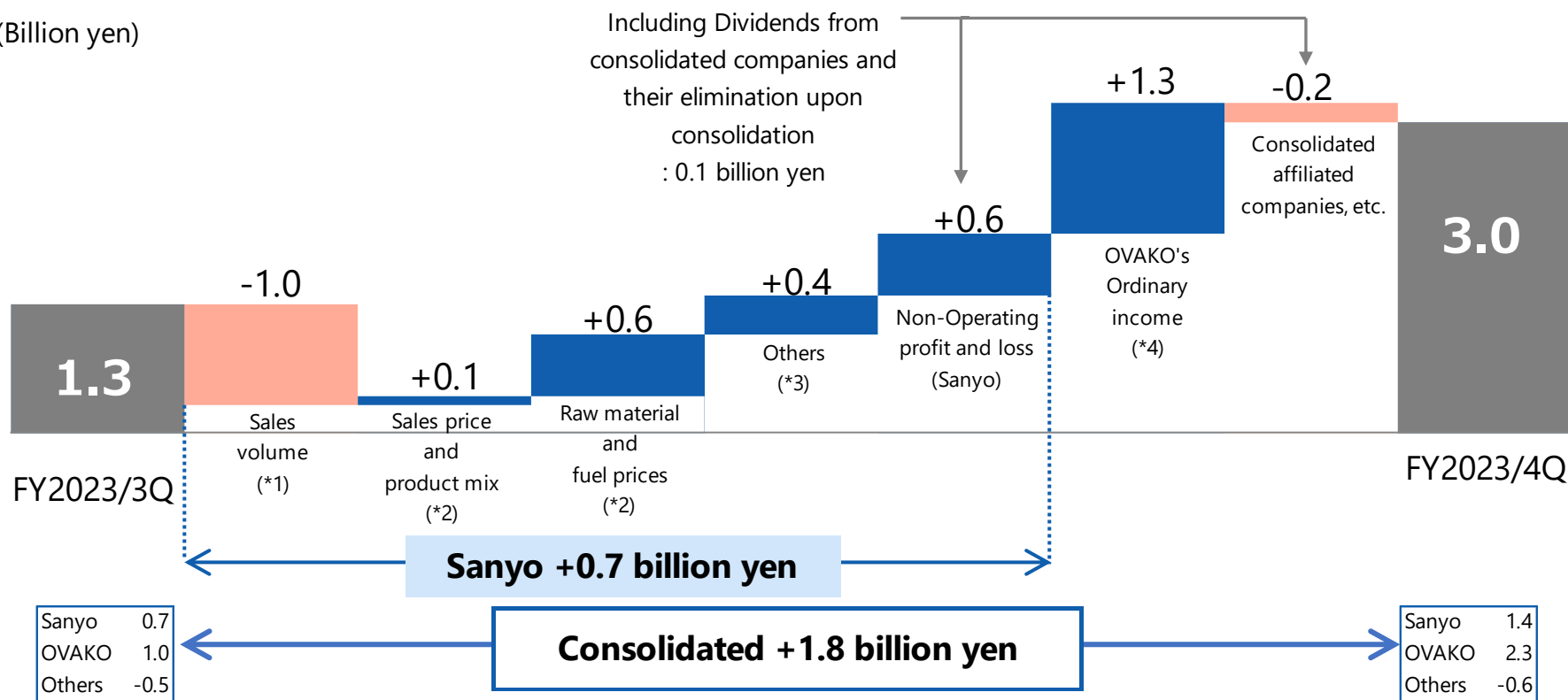
- Variable cost reductions+0.7,
- Other materials, outsourcing, logistic cost, etc.-1.8,
- Repair and maintenance expenses-0.7, Fixed cost-1.1

## (\*4) OVAKO's Ordinary Income

- Sales volume -9.3  
-17% (-101: 608 → 508 thousand tons)
- Transient factors -6.5 ( +9.6 → +3.1)
  - Modification of Surcharge System -2.8 ( +2.8 → 0.0)
  - Refund of Health Insurance -0.6 ( +0.6 → 0.0)
  - Iron scrap market price differences -1.5 ( +3.3 → +1.8)
  - FX effect (SEK vs. EUR) -2.0 ( +2.4 → +0.4)
  - Subsidy of Energy +0.6 ( 0.0 → +0.6)
- Sales margin and product mix, raw material and fuel prices +1.3
- Others (Fixed cost, etc.) +1.8

# Ordinary Income Variance Analysis (FY2023/3Q → FY2023/4Q Result)

(Billion yen)



## (\*1) Sales volume

- 12% (-25: 202 → 177 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap : +0.0 (-0.1 → -0.0)
- Energy : -0.2 (+0.4 → +0.2)

## (\*3) Breakdown of Others

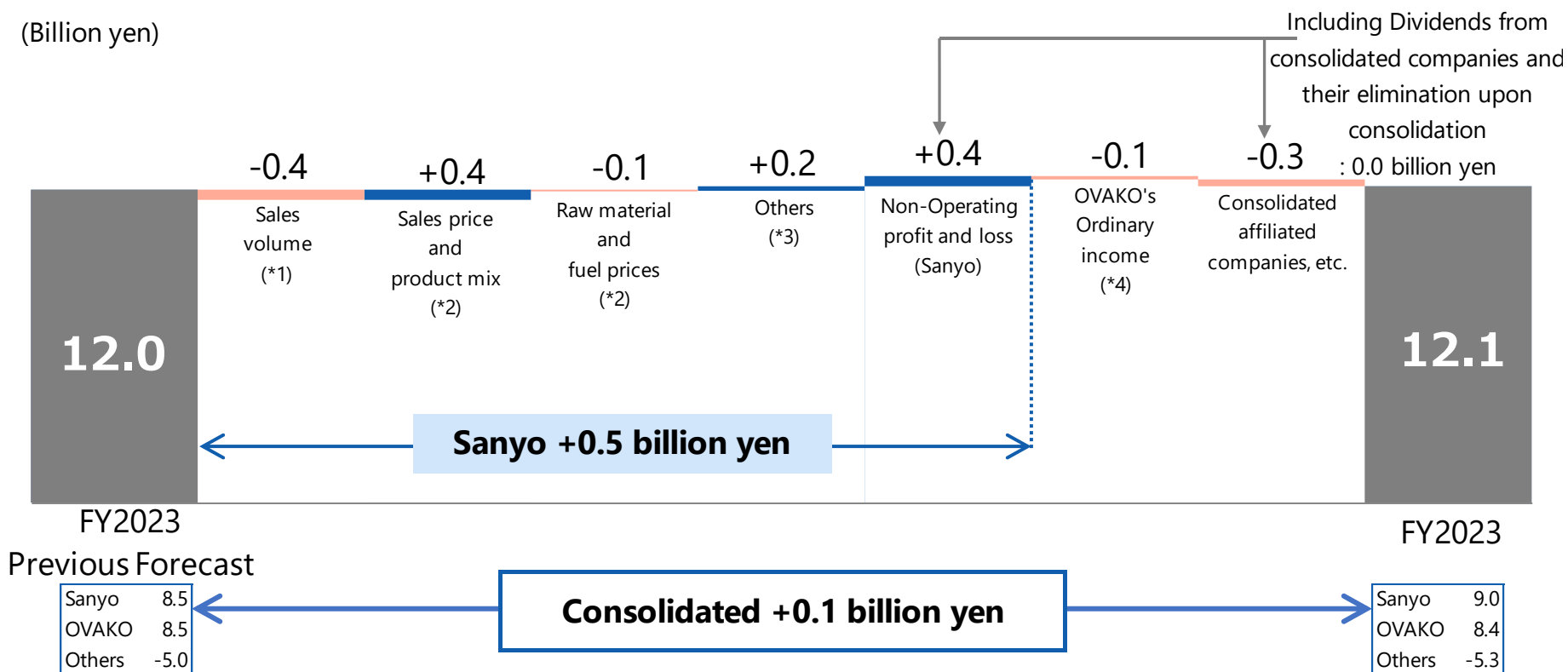
- Other materials, outsourcing, logistic cost, etc. +0.4, Repair and maintenance expenses +0.1, Fixed cost -0.1

## (\*4) OVAKO's Ordinary Income

- Sales volume +1.3  
+9% (+11: 121 → 131 thousand tons)
- Transient factors +0.7 ( 0.0 → +0.7)  
Iron scrap market price differences -0.3 ( +0.3 → 0.0)  
FX effect (SEK vs. EUR) +0.7 ( -0.3 → +0.4)
- Sales margin and product mix, raw material and fuel prices -0.7
- Others 0.0

# Ordinary Income Variance Analysis (FY2023 Previous Forecast → FY2023 Result)

(Billion yen)



## (\*1) Sales volume

- 1% (-11: 817→ 806 thousand tons)

## (\*2) Time lag of surcharge pricing

- Iron scrap :-0.1 (-0.2→ -0.3)
- Energy :-0.4 (+2.1→ +1.7)

## (\*3) Breakdown of Others

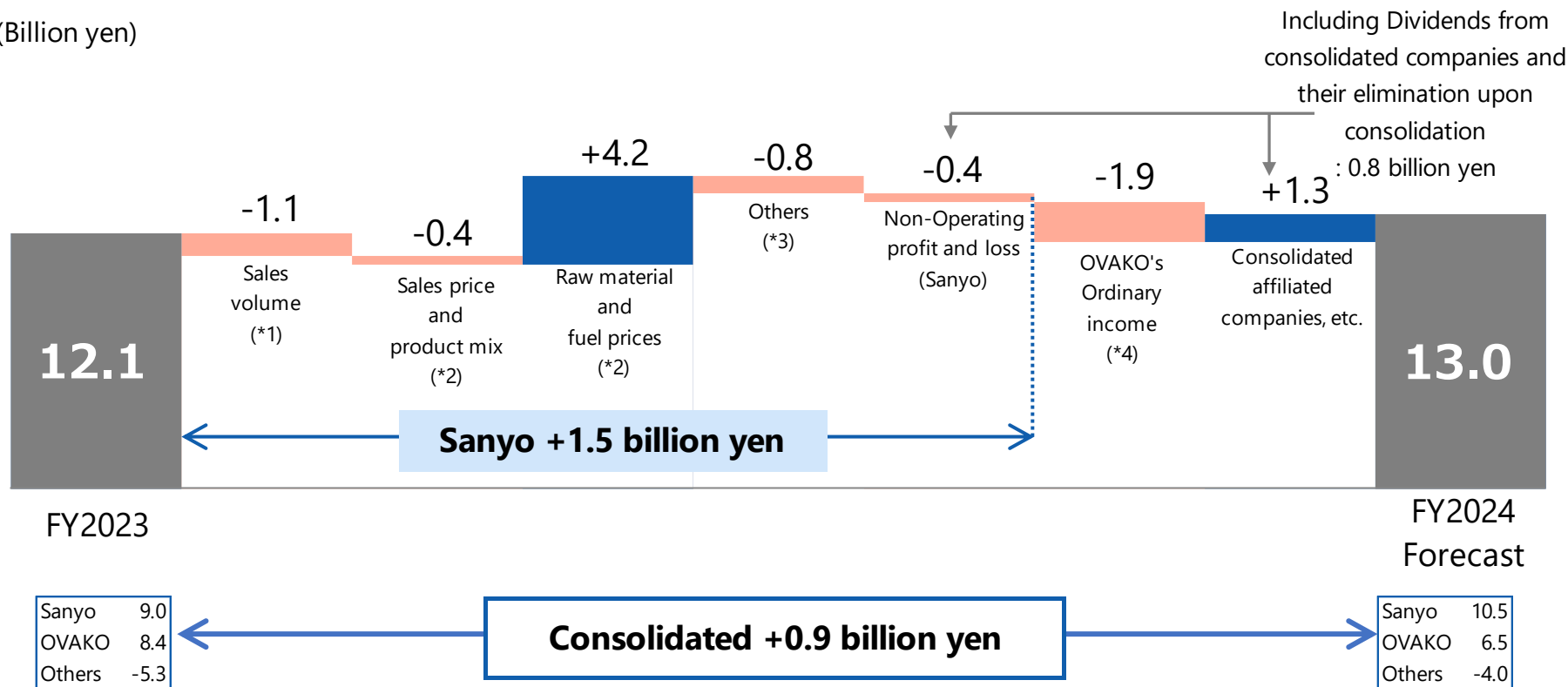
- Repair and maintenance expenses+0.1, Fixed cost+0.1

## (\*4) OVAKO's Ordinary Income

- Sales volume -0.9  
-2% (-10: 517→ 508 thousand tons)
- Transient factors +0.7 ( +2.4→+3.1)  
Iron scrap market price differences 0.0 ( +1.8→ +1.8)  
FX effect (SEK vs. EUR) +0.4 ( 0.0→ +0.4)
- Sales margin and product mix, raw material and fuel prices -0.7
- Others (Fixed cost, etc.) +0.8

# Ordinary Income Variance Analysis (FY2023 Result → FY2024 Forecast)

(Billion yen)



**(\*1) Sales volume**

- 3% (-26: 806 → 780 thousand tons)

**(\*2) Time lag of surcharge pricing**

- Iron scrap : +0.2 (-0.3 → -0.0)
- Energy : +1.7 (-1.7 → 0.0)

**(\*3) Breakdown of Others**

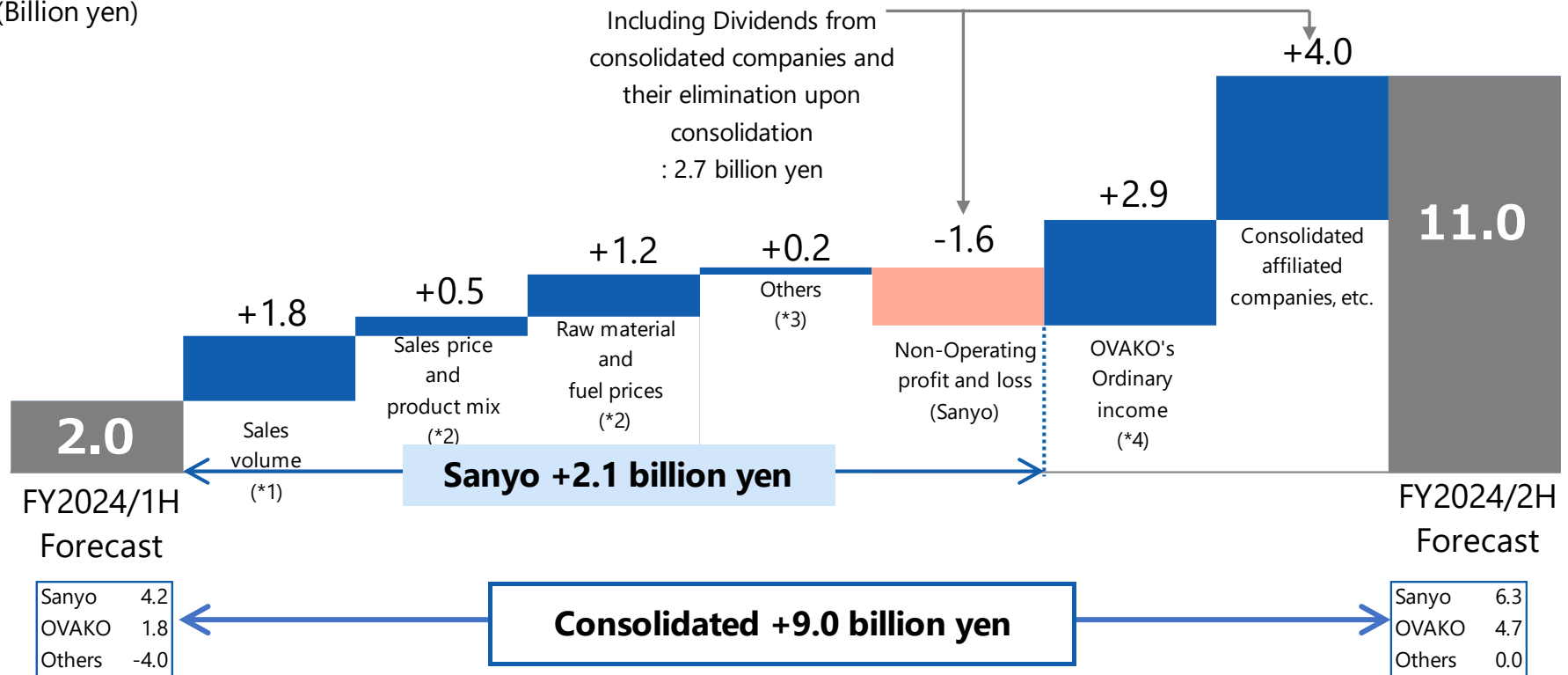
- Variable cost reductions +1.2,
- Repair and maintenance expenses +0.1,
- Other materials, outsourcing, logistic cost, etc. -1.0,
- Fixed cost -1.1

**(\*4) OVAKO's Ordinary Income**

- Sales volume +3.8  
+7% (+38: 508 → 545 thousand tons)
- Transient factors (excluding Iron scrap market price differences) -1.3 ( +1.3 → 0.0)  
FX effect (SEK vs. EUR) -0.4 ( +0.4 → 0.0)  
Subsidy of Energy -0.6 ( +0.6 → 0.0)
- Sales margin and product mix, raw material and fuel prices -2.6
- Others (Fixed cost, etc.) -1.8

# Ordinary Income Variance Analysis (FY2024/1H Forecast → FY2024/2H Forecast)

(Billion yen)



### (\*1) Sales volume

- +11% (+42: 369→ 411 thousand tons)

### (\*2) Time lag of surcharge pricing

- Iron scrap :+0.1 (-0.1→ +0.0)
- Energy :+0.3 (-0.2→ +0.2)

### (\*3) Breakdown of Others

- Variable cost reductions+0.5,
- Other materials, outsourcing, logistic cost, etc.+0.2,
- Repair and maintenance expenses+0.2,
- Fixed cost-0.7

### (\*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) +5.7  
+22% (+53: 246→ 299 thousand tons)
- Transient factors 0.0 ( 0.0→0.0)
- Sales margin and product mix, raw material and fuel prices -0.7
- Others (Fixed cost, etc.) -2.1



# Review of Performance <OVAKO>

## FY2023 Business Results and FY2024 Forecast

**Ordinary Income in FY2023 : 8.4 billion yen**

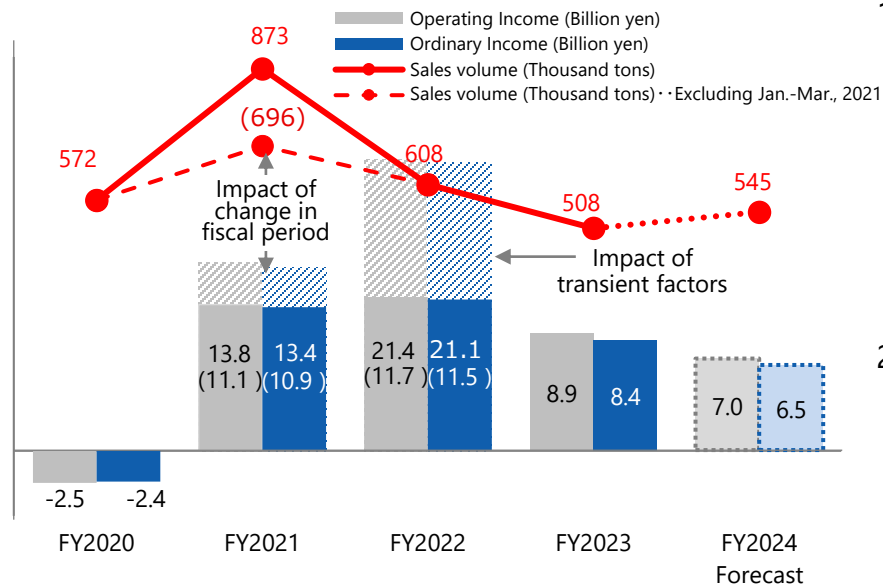
**(-12.7 billion yen against FY2022, -6.2 billion yen excluding one-off effects )**

- Profit decreased on YOY basis due to drop in volume and lack of positive one-off effects enjoyed in FY2022. Demand weakened due to high interest rates in Europe and deceleration of economic growth in China. While European peers suffered amid difficult conditions, OVAKO was able to remain profitable.

**Ordinary Income in FY2024 Forecast : 6.5 billion yen (-1.9 billion yen against FY2023)**

- With no signs of market conditions improving significantly in FY2024, OVAKO plans to be active in securing sales volume. In addition, OVAKO will continue to implement thorough fixed cost control, optimization of operational structure and promote sales by utilizing carbon-neutral advantages.

## Trend of Sales volume, Operating Income, and Ordinary Income



## Profit Improvement and Maximization of synergy effects

### 1. Profit Improvement

- Safeguarding and improving profit margin in an inflationary environment through appropriate pricing policy and implementation of climate and energy surcharge systems.
- Streamlining workforce by optimizing operation such as through flexible balancing of capacities between mills.
- Continuously lowering BEP by margin improvement and fixed cost control.

### 2. Maximizing synergy effects among the 4 companies, OVAKO, SSMI, Sanyo and Nippon Steel

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

# Review of Performance <SSMI>

## FY2023 Business Results and FY2024 Forecast

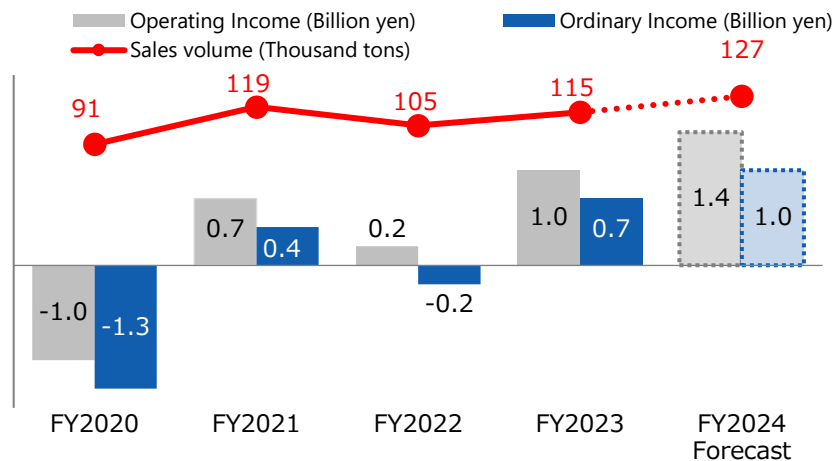
**Ordinary Income in FY2023 : 0.7 billion yen (+0.9 billion yen against FY2022)**

- SSMI secured ordinary income of 0.7 billion yen in FY2023 by implementing following measures.
  - Expanding sales volume mainly in high-margin segments.
  - Using cost effective cold iron resources, utilizing cost effective and renewable electricity and further pursuing manufacturing cost reduction partly by streamlining production process.

**Ordinary Income in FY2024 Forecast : 1.0 billion yen (+0.3 billion yen against FY2023)**

- SSMI aims to ensure higher returns in FY2024 by not only expanding sales volume and implementing cost reductions measures, but also improving product mix and profit margin.

## Trend of Sales volume, Operating Income, and Ordinary Income



## Profit improvement measures and actions

- Upgrading sales strategy and mix
  - Further executing sales strategy reflecting value of 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
  - Reducing interest costs by repaying borrowings associated with capital increase, etc.

- On February 2, 2024, Sanyo concluded an agreement to acquire all shares of SSMI owned by MITSUI & CO., LTD. ("MITSUI"), an SSMI minority shareholder, after MITSUI notified its intention to exercise the put option right under the shareholders agreement. **After the share transfer, Sanyo's stake in SSMI will become 100%.**
- Sanyo will further bolster SSMI's manufacturing, sales, technology, human resource and financial capabilities to reinforce its presence in Indian market and to capture India's sustaining economic growth, simultaneously enhancing its global presence.**

## **4. Topics**

# Topics

## 1. Capital participation in iron scrap supplier SANYO Corp. (February 29, 2024)

- As steel production is shifting to electric furnaces amid momentum toward carbon neutrality, supply-demand balance for iron scrap (especially high-grade) is expected to become tight in the future. As part of efforts to secure and expand procurement sources and prepare for a possible supply-demand tightening, we acquired a portion of shares of SANYO Corp., processor and distributor of steelmaking raw materials.
- The share acquisition further strengthened our partnership with SANYO Corp., our main scrap supplier with close relationship fostered over many years.
- With the capital participation in SANYO Corp., we became able to secure more than half of steel scrap we need, from companies with capital ties (including the Nippon Steel Group).



## 2. Joining "Environmentally Considerate Electric Furnace Steel Material Working Group" (March 12, 2024)

- We have joined the "Environmentally Considerate Electric Furnace Steel Material Working Group".
- The working group was established by 29 domestic companies using electric furnaces based on GX League's\*1 "Proposal for Value-Added Green Commercial Products\*2" established in March 2022 by the Ministry of Economy, Trade and Industry.
- We will consider business use (sales and standardization) of "environmentally friendly electric furnace steel products," or green commercial materials with a new added value of being produced through process with less environmental burdens.

\*1 : Established based on "GX League Basic Concept" announced by METI on February 1<sup>st</sup>, 2022. GX league acts as a forum where companies actively engaged in GX collaborate with players striving for GX, working together through cooperation among the government, academic, and economic spheres to discuss the transformation of the overall economic and social system and create new markets accordingly.

\*2 : The "Proposal for Value-Added Green Commercial Products" was published in December 2023 by the "WG to Study Value-Adding of Green Commercial Products" which started its activities in January 2023 as "Market Rule Formation WG" of GX League.

# Topics

## 3. Utilization of renewable energy from hydroelectric power plant

(March 29, 2024)

- In April 2024, we began purchasing renewable energy from hydroelectric power plants in Hyogo prefecture. We plan to purchase 40 million kWh per year, the maximum amount of hydroelectric power available.
- This amount of electricity is equivalent to about 5% of our annual consumption. CO<sub>2</sub> emissions from our Himeji site can be reduced by approximately 17,000 tons/year.

Utilizing renewable electricity generated from hydroelectric power plants in Hyogo Prefecture. Actively utilize the environmental value created by the blessed nature of the areas surrounding our site.



## 4. OVAKO signs groundbreaking partnership deal with FNsteel to boost the low carbon production of premium processed wire rod in Europe (April 17, 2024)

- OVAKO has signed a major partnership with Netherlands company FNsteel to revolutionize the environmental footprint of premium processed wire rod supplied to Europe's automotive, construction and engineering sectors.
- FNsteel, which is part of British Steel, is working under the umbrella of the group's ambitious decarbonization strategy to drive the industry's shift towards sustainability. To maintain its sustainability momentum during this transitional period, FNsteel has explored collaborations with suppliers of low carbon steel. OVAKO emerged as the ideal partner in this venture thanks to its proven track record in sustainability.
- OVAKO's CFP\* is 80% lower than the global average.

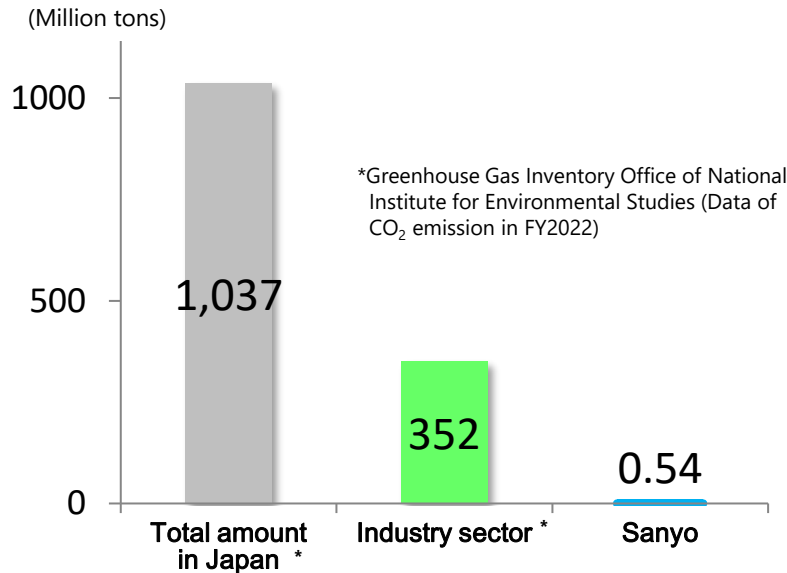
\* CFP (carbon footprint) is a method of converting greenhouse gas emissions over a product's life cycle (raw material procurement, production, distribution/sales, use/maintenance, disposal/recycling) into CO<sub>2</sub> emissions and displaying the amount.



# **4. Achieving Carbon Neutrality (CN) by 2050**

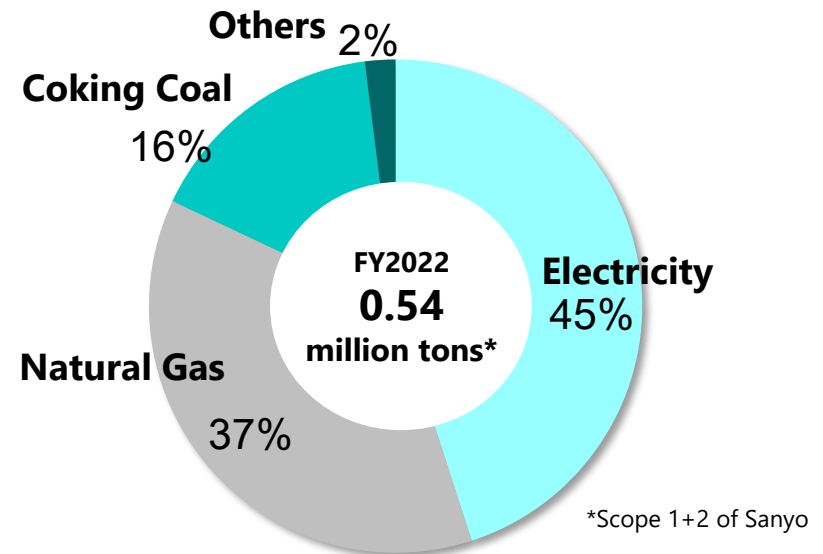
# Basic Consideration to Carbon Neutrality

## Amount of CO<sub>2</sub> emissions in FY2022



Sanyo manufactures high quality special steel, using recycled iron scrap as main raw material, and its CO<sub>2</sub> emissions are approximately 0.2% of that of the total Japanese Industry.

## Breakdown of Sanyo's CO<sub>2</sub> emissions



CO<sub>2</sub> emissions due to consumption of electricity and natural gas account for 80% or more of the total emissions of Sanyo.

**Sanyo aims to reduce CO<sub>2</sub> emissions from its own manufacturing process and at all social stages by promoting "Eco-process", "Green energy utilization", "Eco-products" and "Eco-solutions."**

## Participation in the GX League

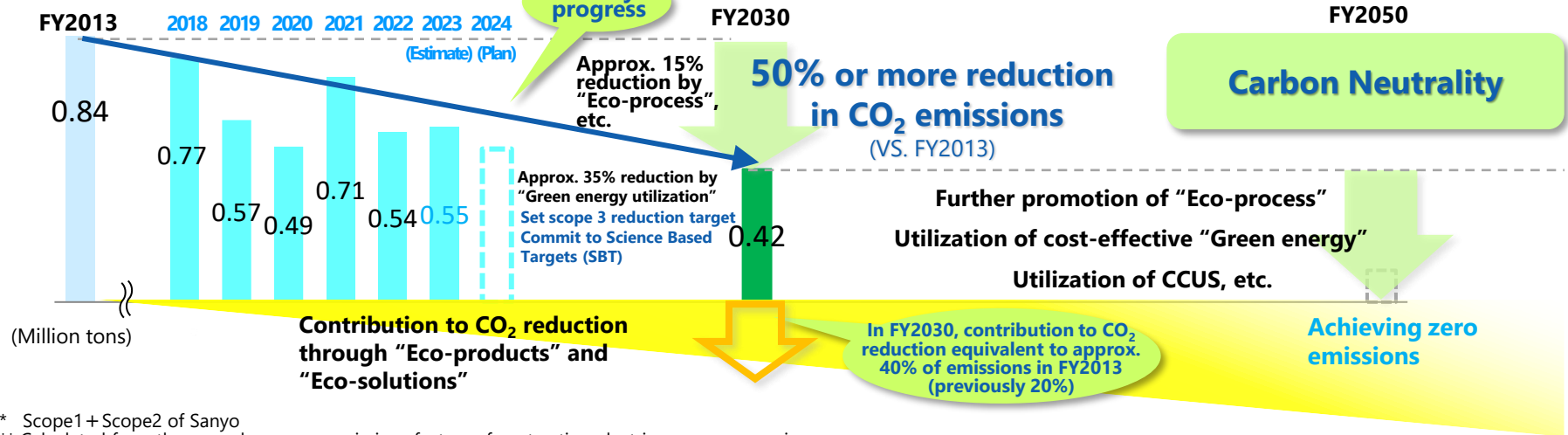
Sanyo endorses the GX League Basic Concept and has taken part in this forum from May 2023. The GX League aims to reform the entire economic and social system to achieve corporate growth, consumer happiness and contribution to the global environment at the same time, towards achieving carbon neutrality by 2050.

Sanyo will actively engage in activities of GX League, such as voluntary emissions trading, making rules for market creation, creation of business opportunities and exchanges in GX hosted sessions.



# Sanyo's Roadmap to Carbon Neutrality by 2050

[CO<sub>2</sub> emissions of Sanyo\*]



\* Scope1 + Scope2 of Sanyo

\*\* 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

\*Introduced internal carbon pricing from FY2023.

## Green energy utilization



Utilization of carbon free electricity/fuels and natural energy

\*Commenced to utilize renewable energy sources from FY2022.

**Plan to utilize hydroelectric and solar power generation from FY2024.**

## Eco-products



Developing long-life bearing steel for wind power generation

Promoting R&D and supply of special steel products that contribute to reducing CO<sub>2</sub> 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



# CO<sub>2</sub> Reduction through “Eco-products”

In particular, Sanyo is focusing on development of “Eco-products” that contribute to reducing CO<sub>2</sub> 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



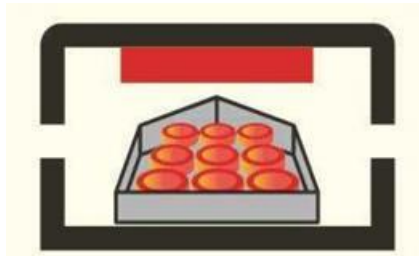
Failure ratio reduction and maintenance-free realization by extending product lifespan

(Estimated CO<sub>2</sub> reduction effect: 13,000 tons/year\*)

## Process Omitting Steel

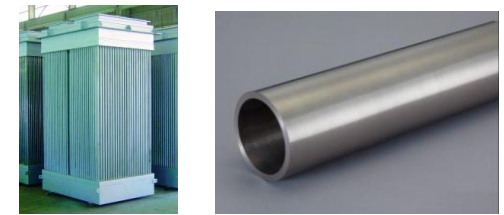


(High-strength case-hardened steel: ECOMAX® series)  
Elimination/simplification of the parts manufacturing process



(High hardness high toughness steel: TOUGHFIT® )  
Reduction of CO<sub>2</sub> emissions in heat hardening process through original alloy designing and use of advanced heat treatment technology

## 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

\*Presented at the 18th Research Presentation Conference of the Institute of Life Cycle Assessment, Japan (on March 10, 2023)

**Sanyo aims to continuously reduce CO<sub>2</sub> 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**

Apr. 2020

**Carbon neutral in production  
from January 2022**

Jan. 2022

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

**Inauguration of  
Fossil-free hydrogen electrolyzer plant**

Sep. 2023

**One of the largest facilities in Europe.  
Possible to reduce Hofors mill's CO<sub>2</sub> emissions from the process of re-heating steel before rolling by 50 percent (approx. 20,000 tons/year).**

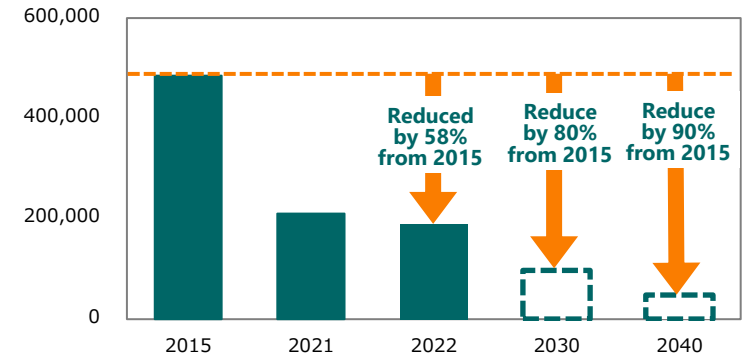


### Collaboration with customers

- 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 has signed partnership deal with FNsteel.

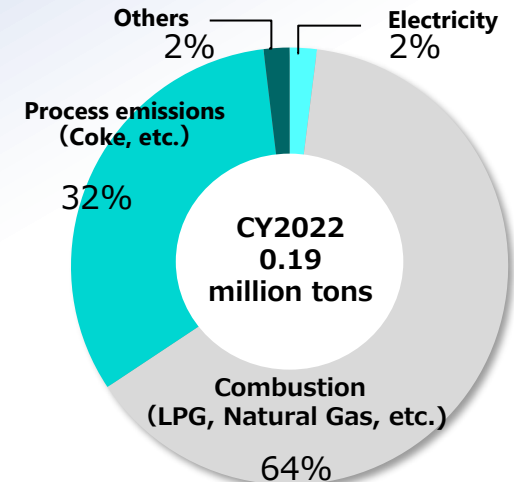
### OVAKO's Roadmap: CO<sub>2</sub> emissions, scope 1&2

(Total CO<sub>2</sub>e ton)



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2022

### Breakdown of OVAKO's CO<sub>2</sub> emissions

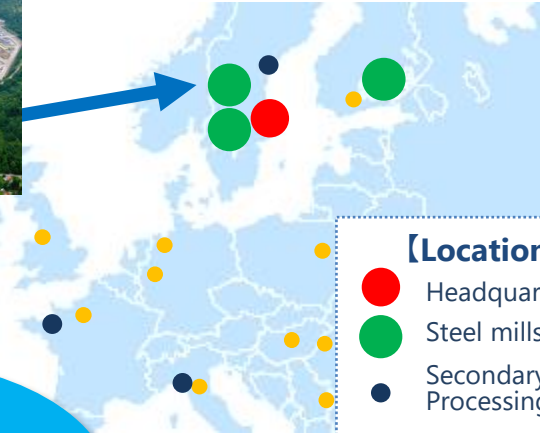


# Fossil-free hydrogen initiative by OVAKO

- The fossil-free hydrogen production plant at Hofors has been realized with the support of the Swedish Energy Agency and collaboration with key players in Sweden and Norway, such as Volvo Group.
- The Total investment : 180MSEK  
(Swedish government supports about 40% of them)
- The plant will generate 4,000 cubic meters of fossil-free hydrogen per hour (approximately 3,000 t/year) by electrolysis of water using fossil-free electricity.
- The conversion to hydrogen will enable OVAKO to reduce Hofors' CO<sub>2</sub> emissions from the process of re-heating steel before rolling by 50 percent (approximately 20,000 t/year) from an already low level.



the Hofors mill



## [Locations]

- Headquarter
- Steel mills
- Secondary Processing mills
- Sales offices

## [Sweden's feature]

- The ratio of defossil power (Hydrogen, Wind, Nuclear) is overwhelmingly high
- Industrial electric charges are 1/2 ~ 1/3 of charges in Japan

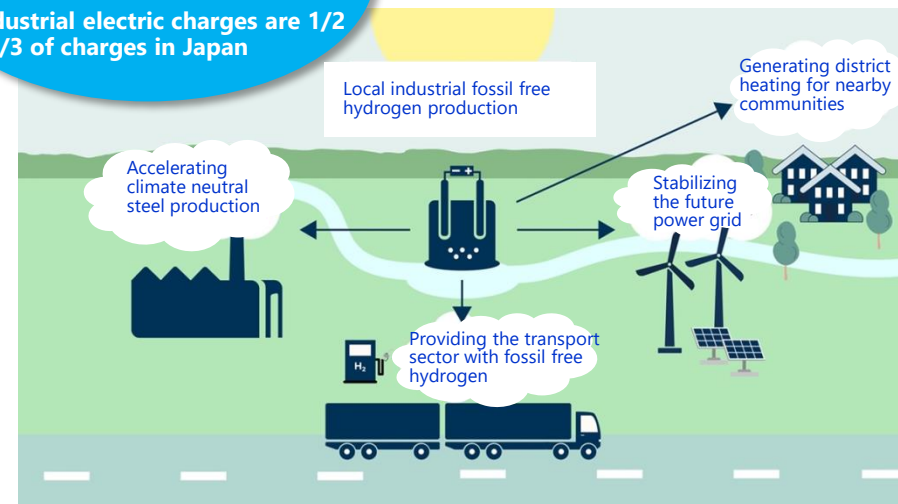
## OVAKO's full-scale trial using hydrogen to heat steel before rolling

In April 2020, OVAKO has conducted a full-scale trial using hydrogen to heat steel before rolling at the Hofors mill in Sweden.



## (Reference) Financial Support System in Sweden

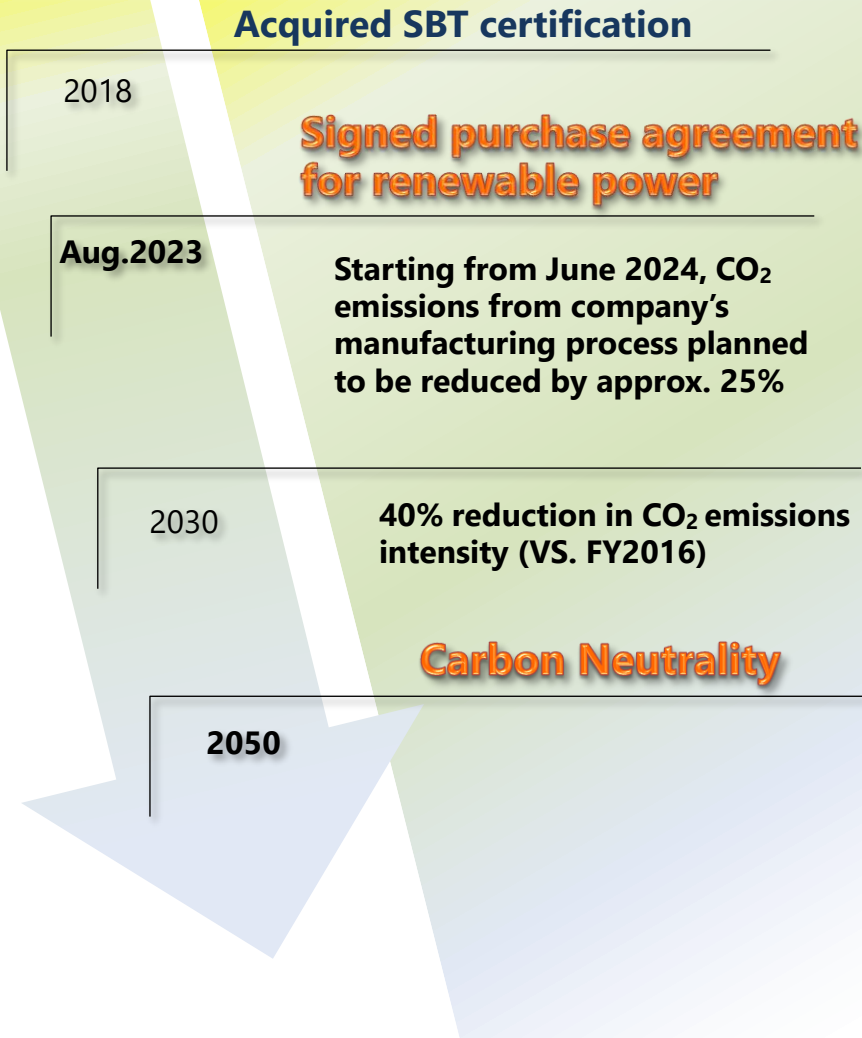
- **Industriklivet (= Industrial Evolution)**
  - The program to support technical development towards the transition for zero GHG emissions in Swedish mining and industrial sector (supervising : the Swedish Energy Agency)
  - The budget for 2021 : 750MSEK (2020 : 600MSEK)  
The financial support will continue until 2028



This technical solution will be the first step in development of hydrogen infrastructure which is expected to contribute to supplying for fuel cell-powered trucks, improving stability of the power grid, and utilizing the residual heat which can be utilized in adjacent communities heating networks.

# Engagement to Carbon Neutrality by SSMI

## SSMI's Roadmap to CN



### Promotion of fuel conversion and energy saving

- SSMI is promoting measures, such as replacement of fuel oil with natural gas, a cleaner and more efficient energy source, and implementation of energy-efficient processes and equipment.

### Signing of purchase agreement for renewable power (August 2023)

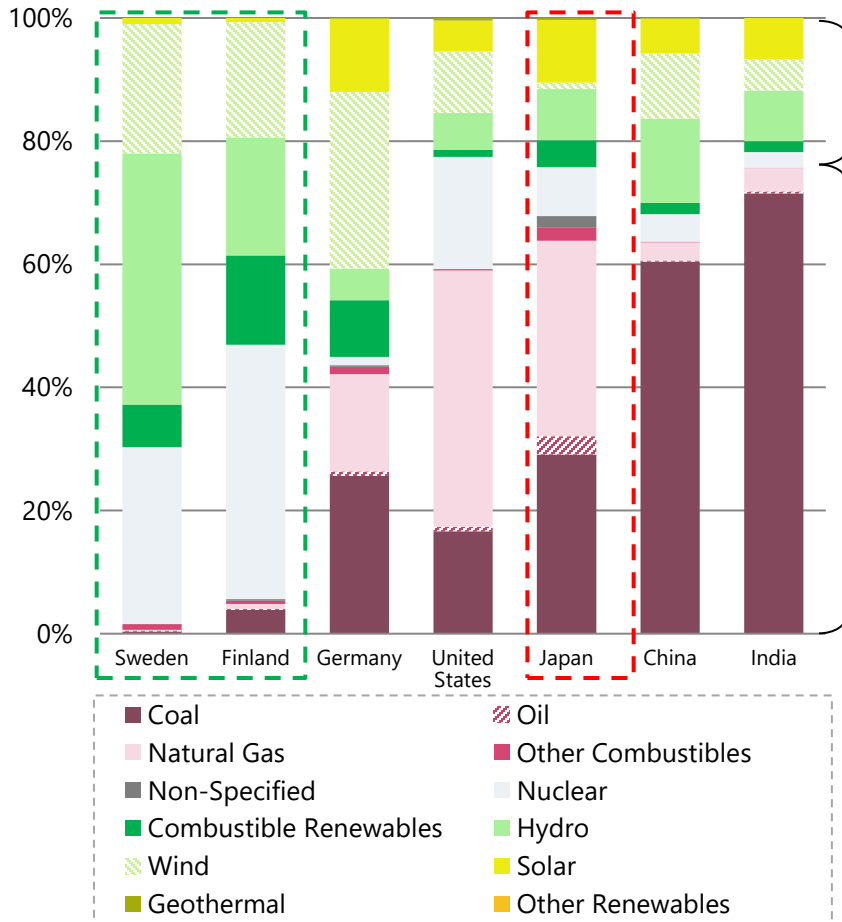
- SSMI has signed an agreement with a subsidiary of Tata Power to purchase electricity generated from solar energy, a renewable energy source.
- Starting from June 2024, SSMI plans to reduce CO<sub>2</sub> emissions from its manufacturing process by roughly 25%.



# Electricity Mix and Prices of major Countries

## Electricity mix as of 2023

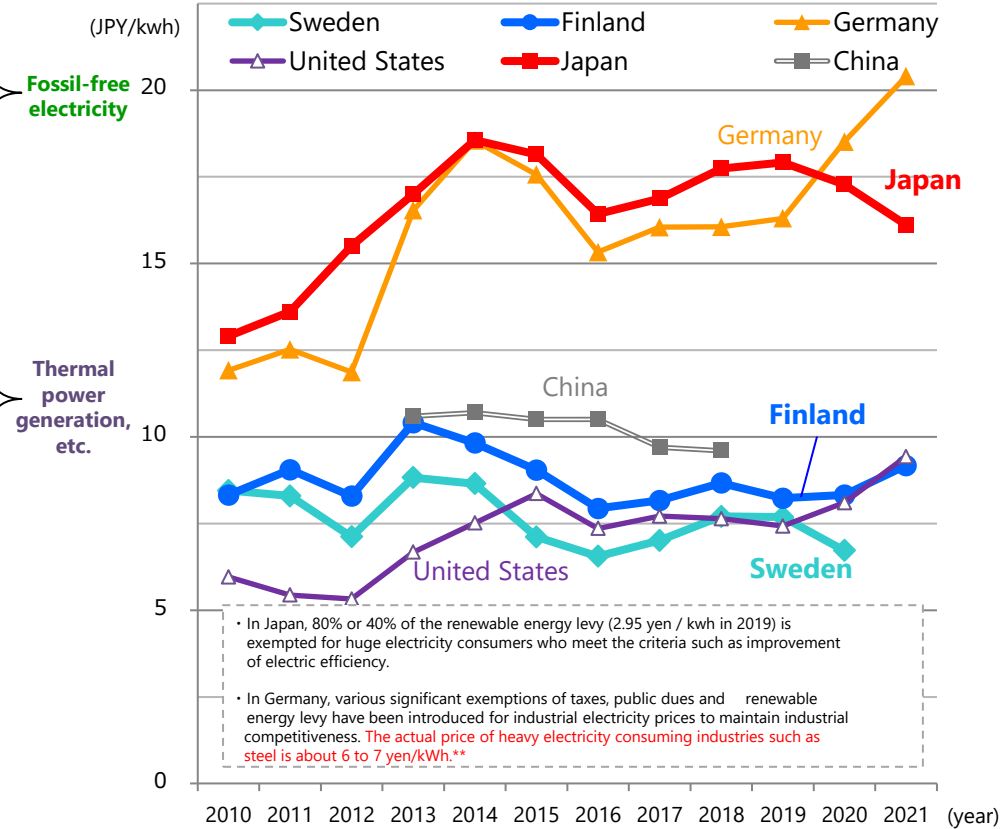
The ratios of carbon free electricity (hydropower, wind power, nuclear power) in Sweden and Finland, where OVAKO's production sites are located, is overwhelmingly high compared to other nations.



\*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.\*\*

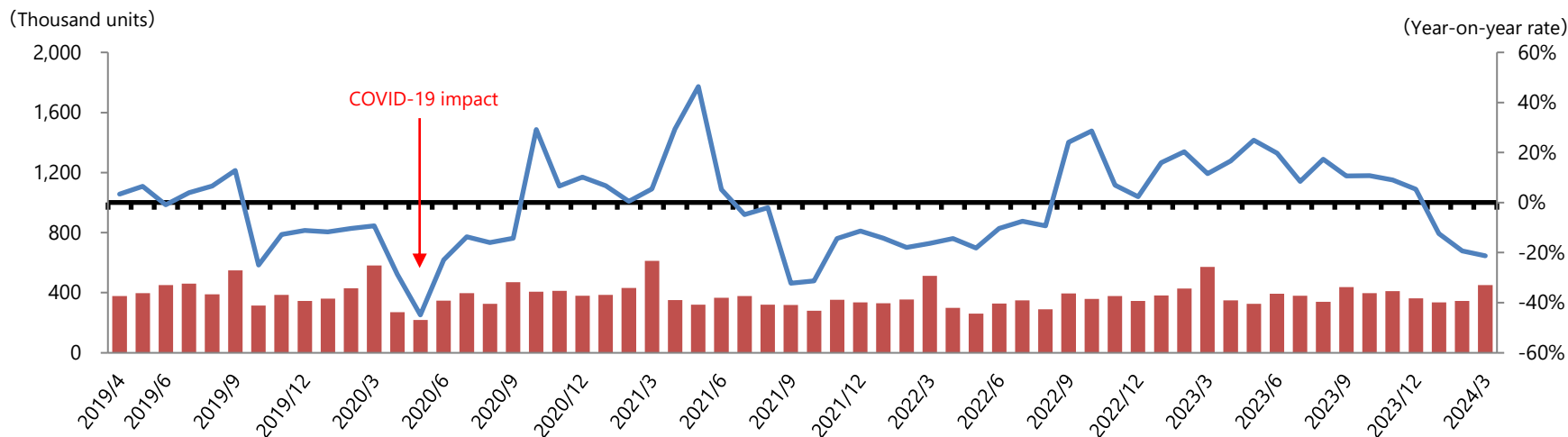
\*Made by Sanyo based on "Industrial electricity prices in the IEA" from Department for Business, Energy, and Industrial Strategy of UK and "Chinese electric power system reforms" from Renewable Energy Institute  
 \*\*International Environment and Economy Institute (Realities of the carbon pricing of overseas)

## **5. Reference**

# Trends in Automobile Market

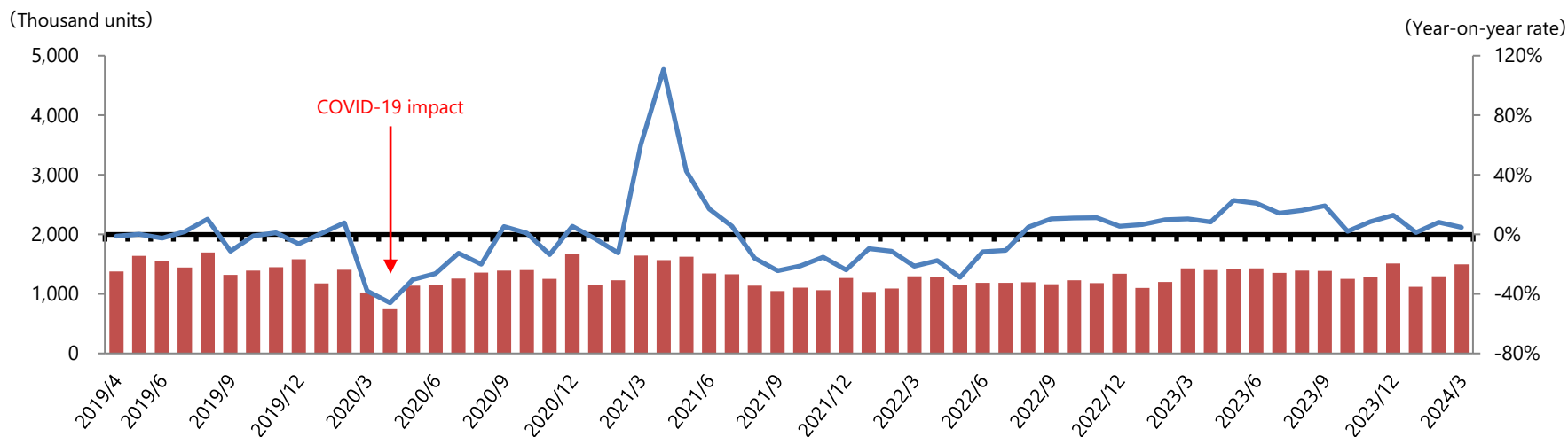
## Units of automobile sales in Japan

Source: MarkLines Co., Ltd.



## Units of automobile sales in U.S.

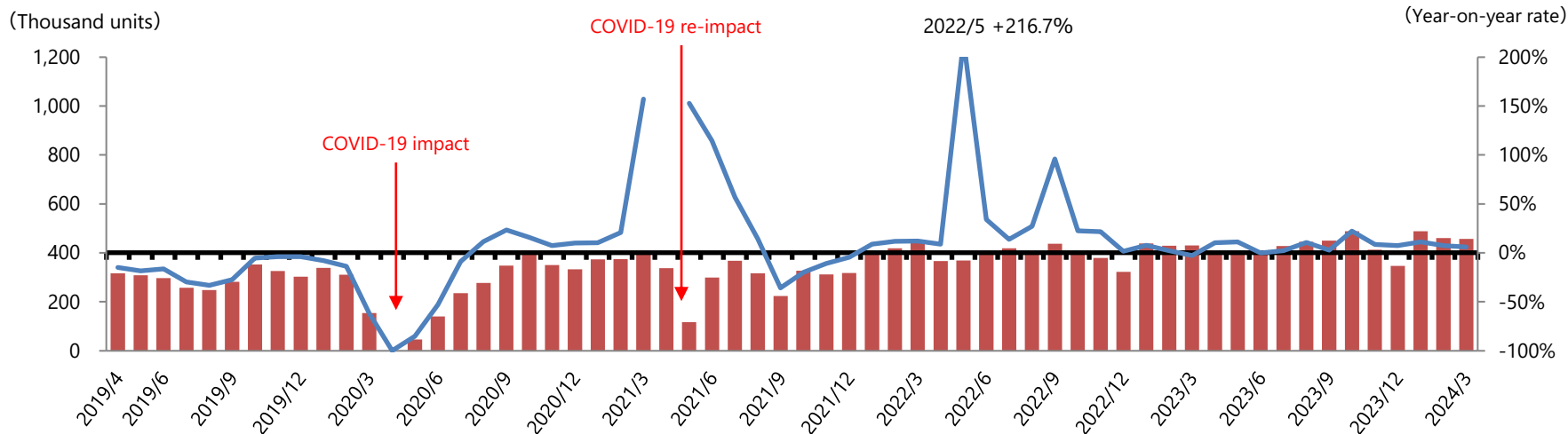
Source: MarkLines Co., Ltd.



# Trends in Automobile Market

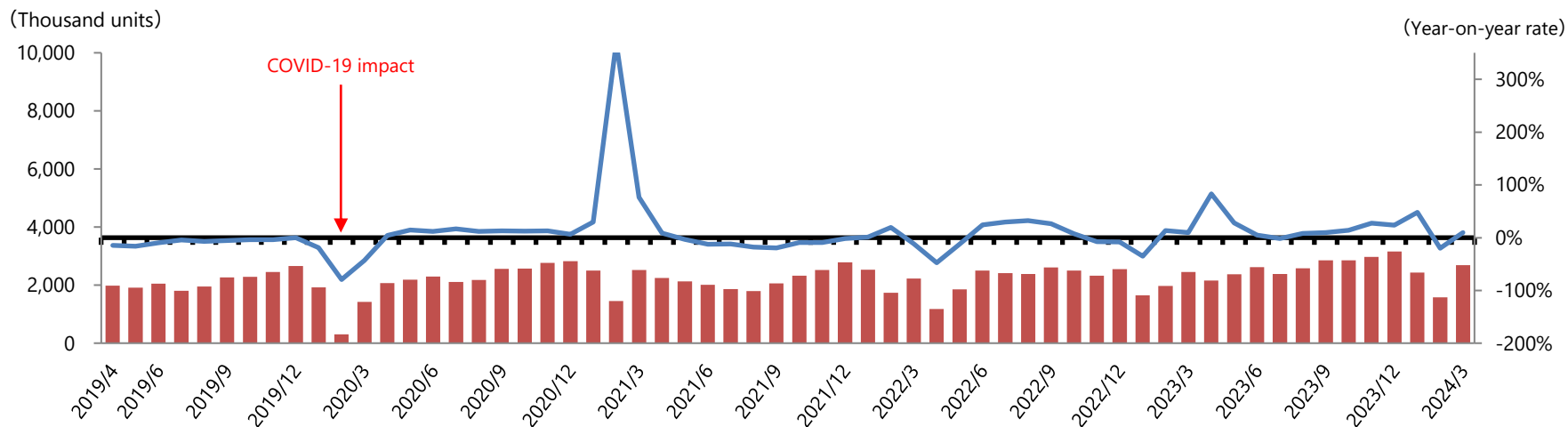
## Units of automobile sales in India

Source: MarkLines Co., Ltd.



## Units of automobile sales in China(Factory shipment base)

Source: MarkLines Co., Ltd.

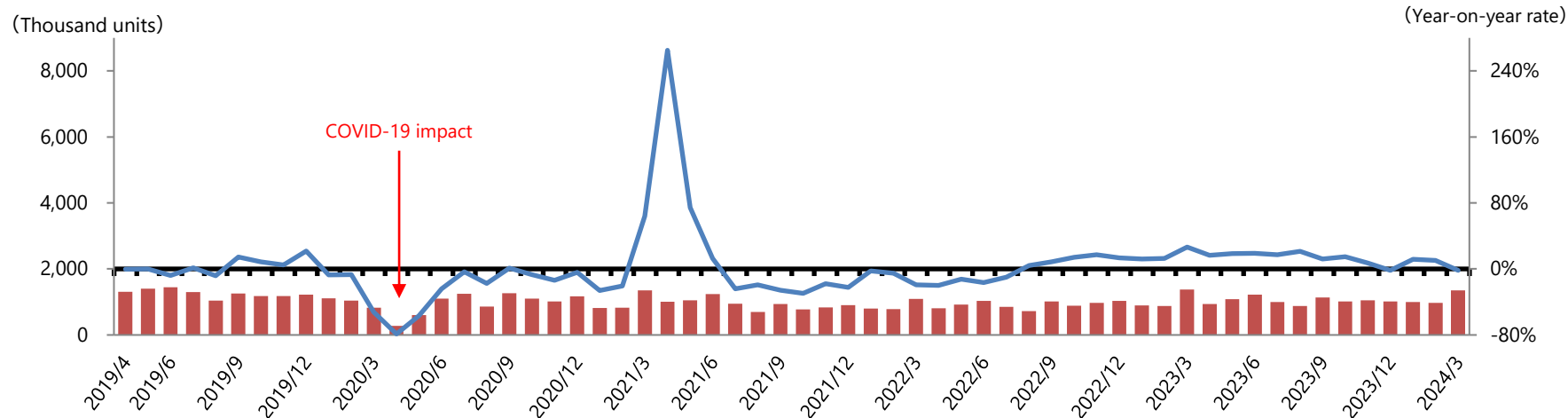




# Trends in Automobile Market

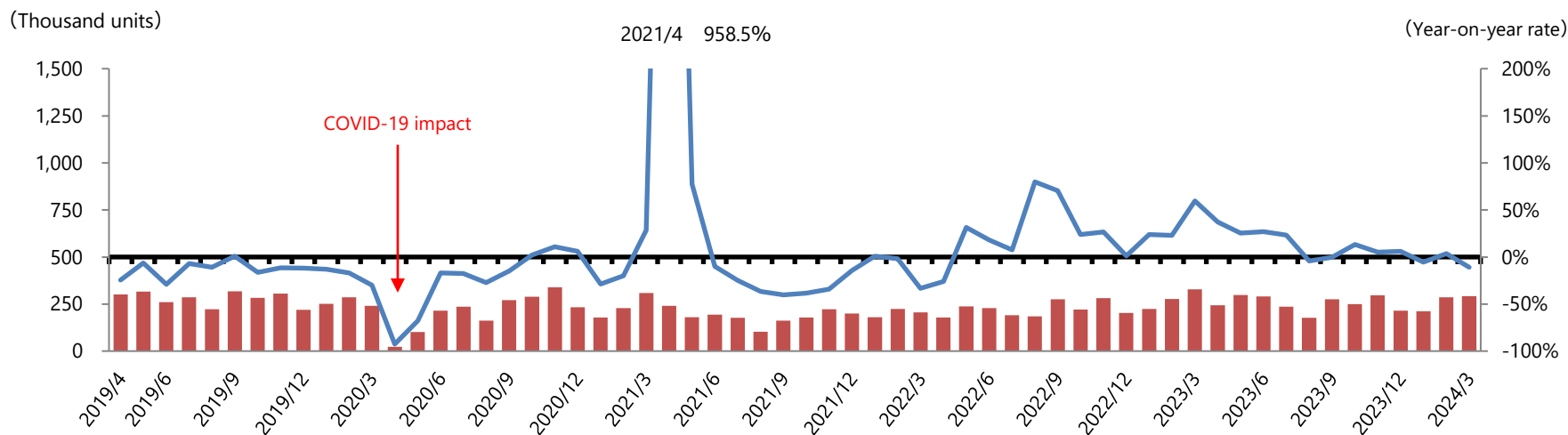
## Units of automobile sales in Europe

Source: ACEA



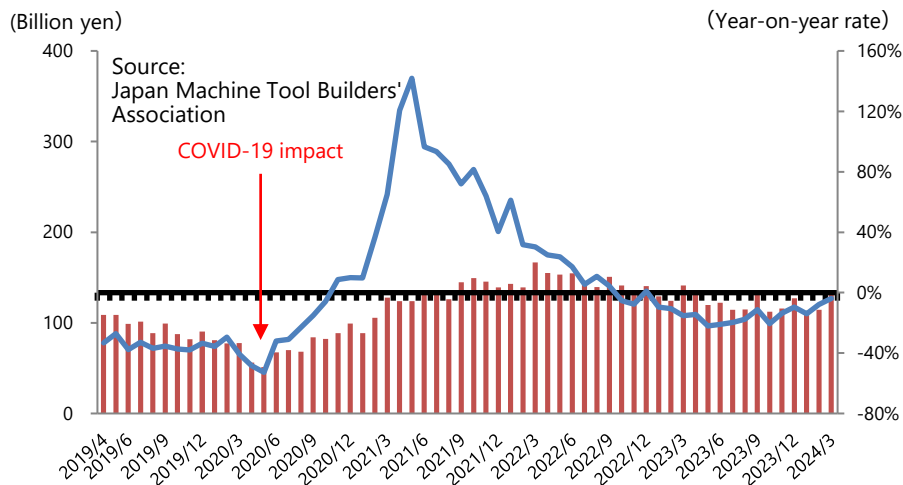
## Units of automobile export from Germany

Source: VDA

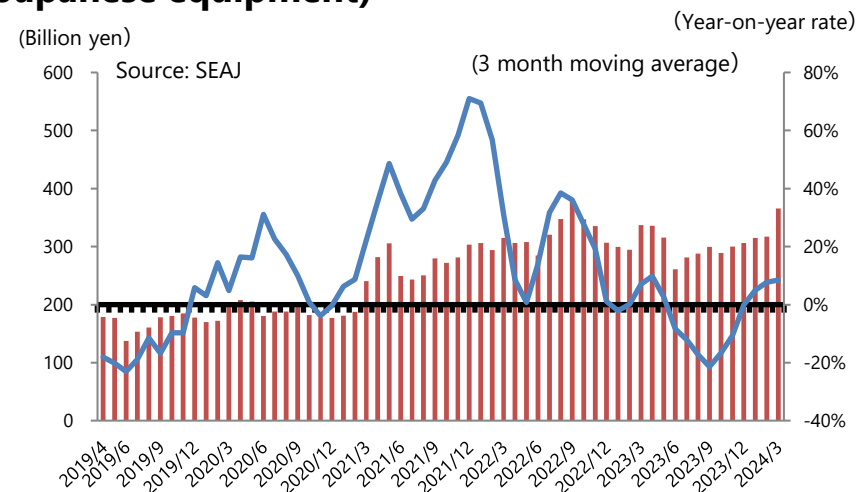


# Trends in Industrial Machinery and Construction Machinery Market

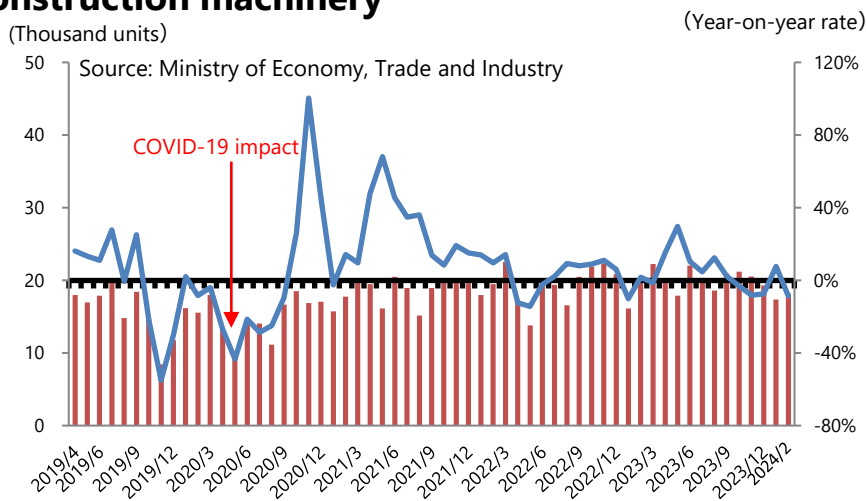
## Sales amount of machine tool orders(Japan)



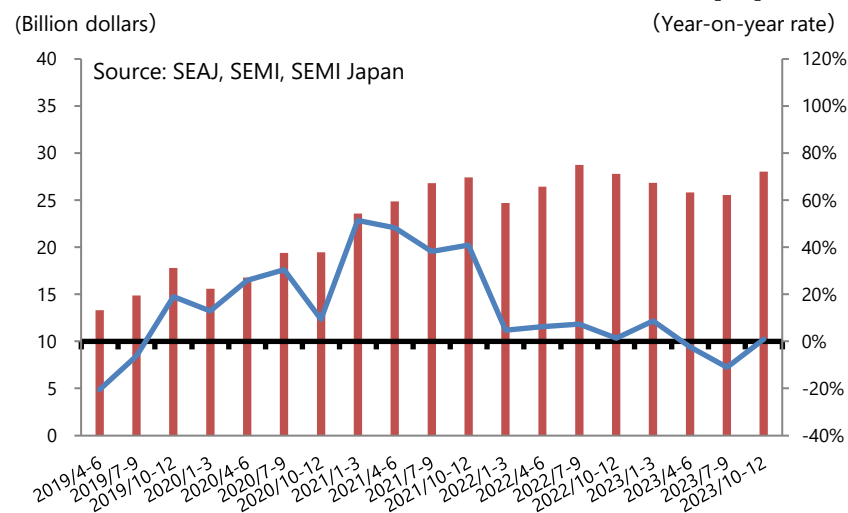
## Sales amount of semiconductor manufacturing equipment (Japanese equipment)



## Domestic production of excavator-based construction machinery

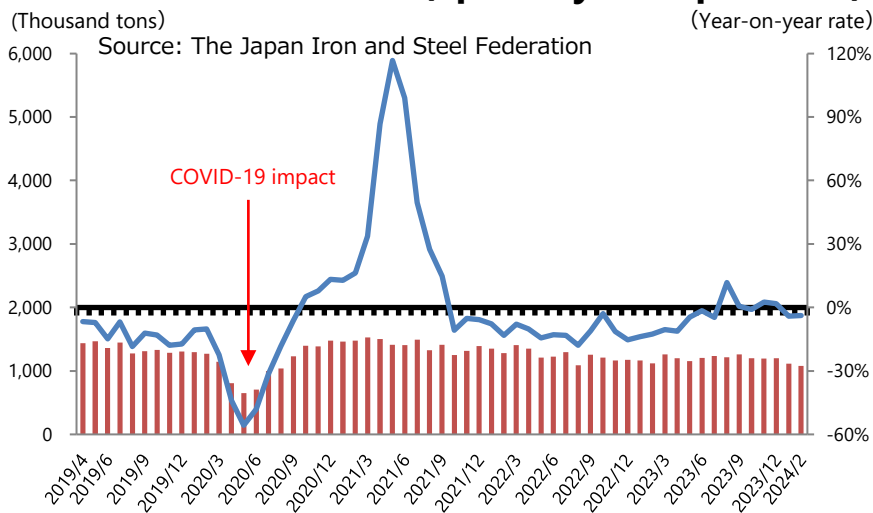


## Sales amount of world wide semiconductor equipment

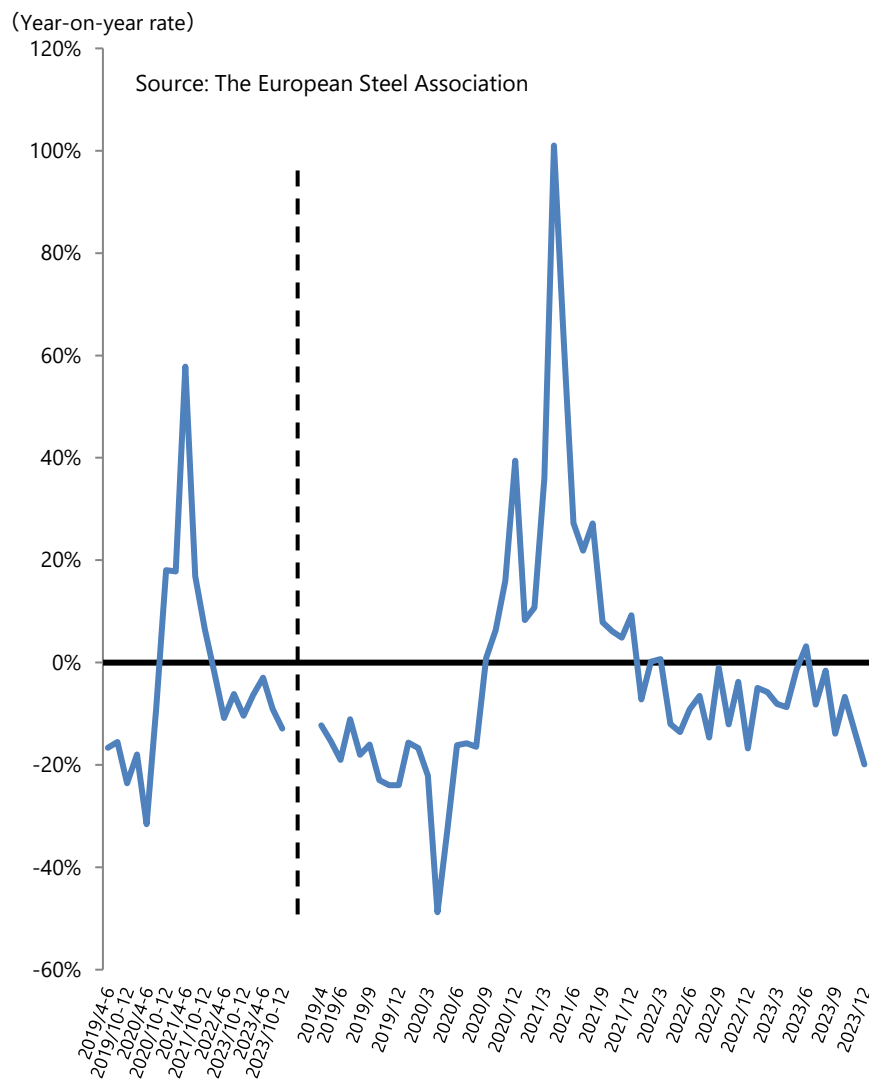


# Trends in Special Steel Market

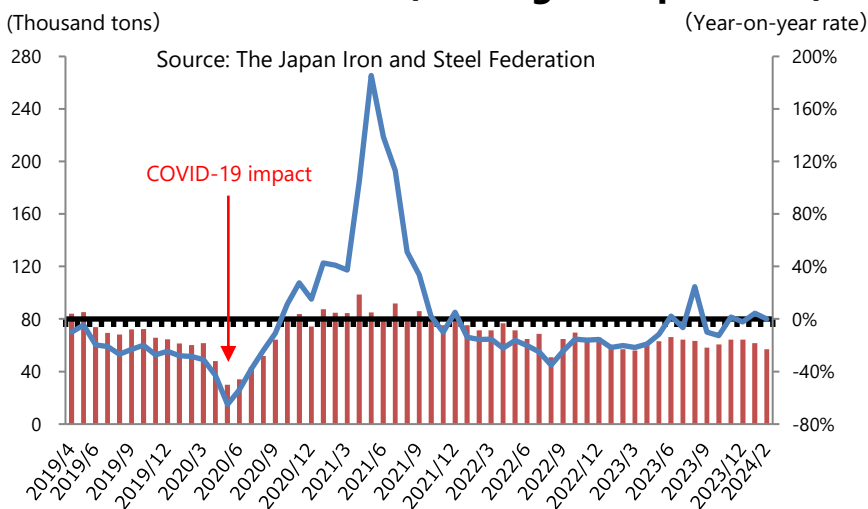
## Volume of order booked (Specialty steel products)



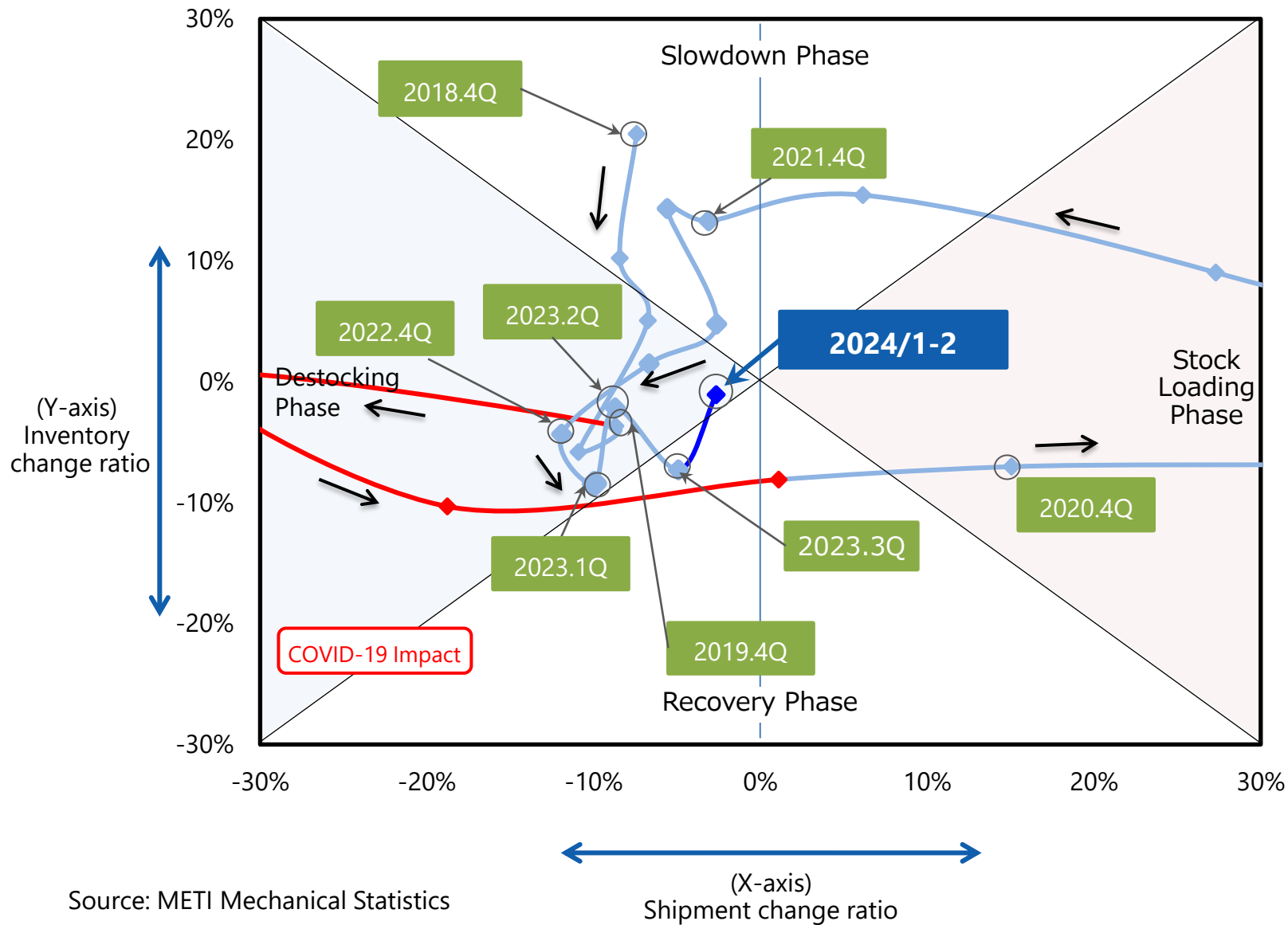
## Volume of European deliveries : Bars and Flats / Alloy Engineering Steel



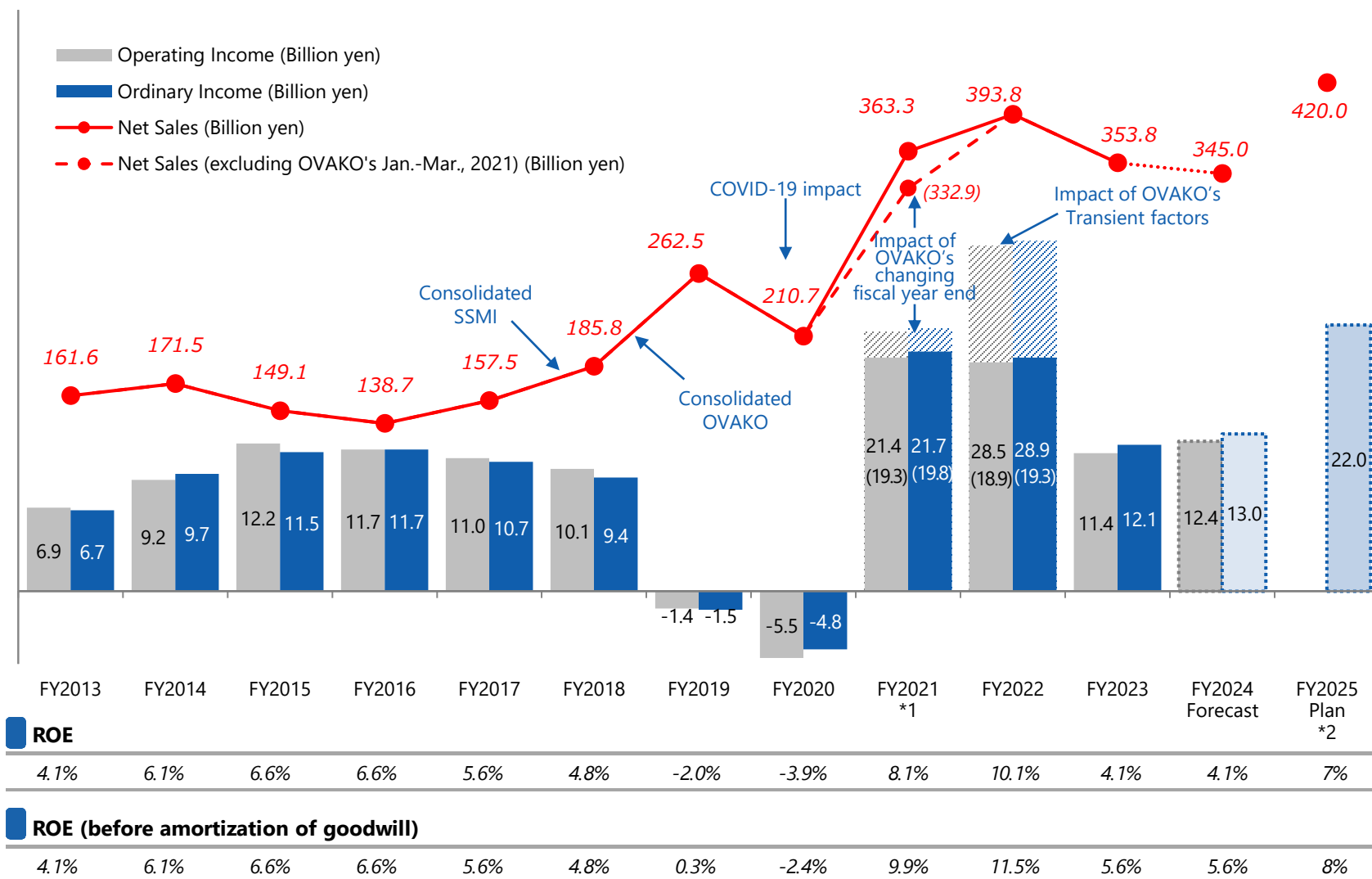
## Volume of order booked (Bearing steel products)



# Inventory Circulation Diagram (Bearing Products)



# Net Sales and Income (Fiscal)

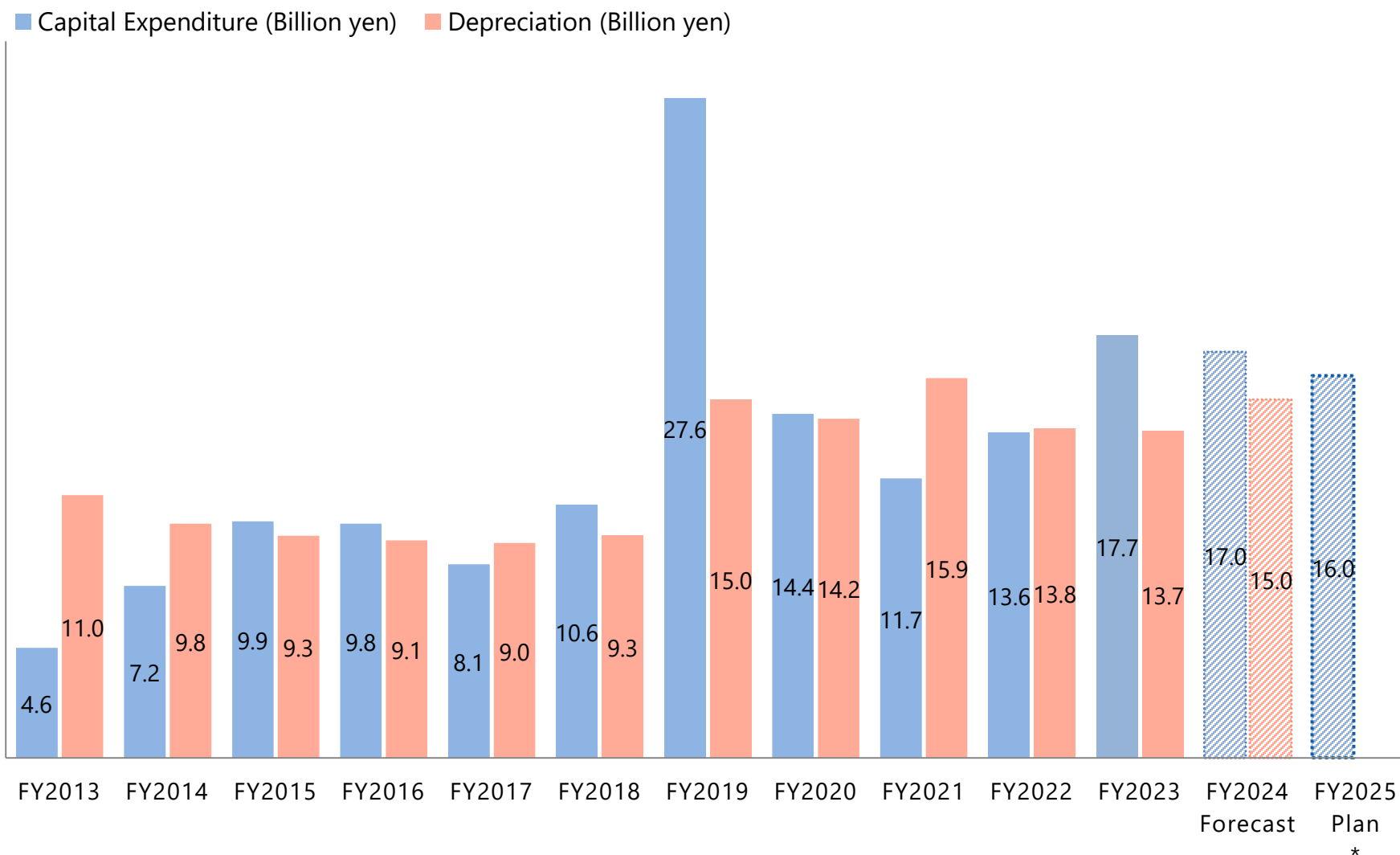


\*1 FY2021 reflects numbers of OVAKO by 15 months from Jan. 2021 to Mar. 2022.

\*2 Revised 2025 Medium-term Management Plan announced on Jul. 28, 2023

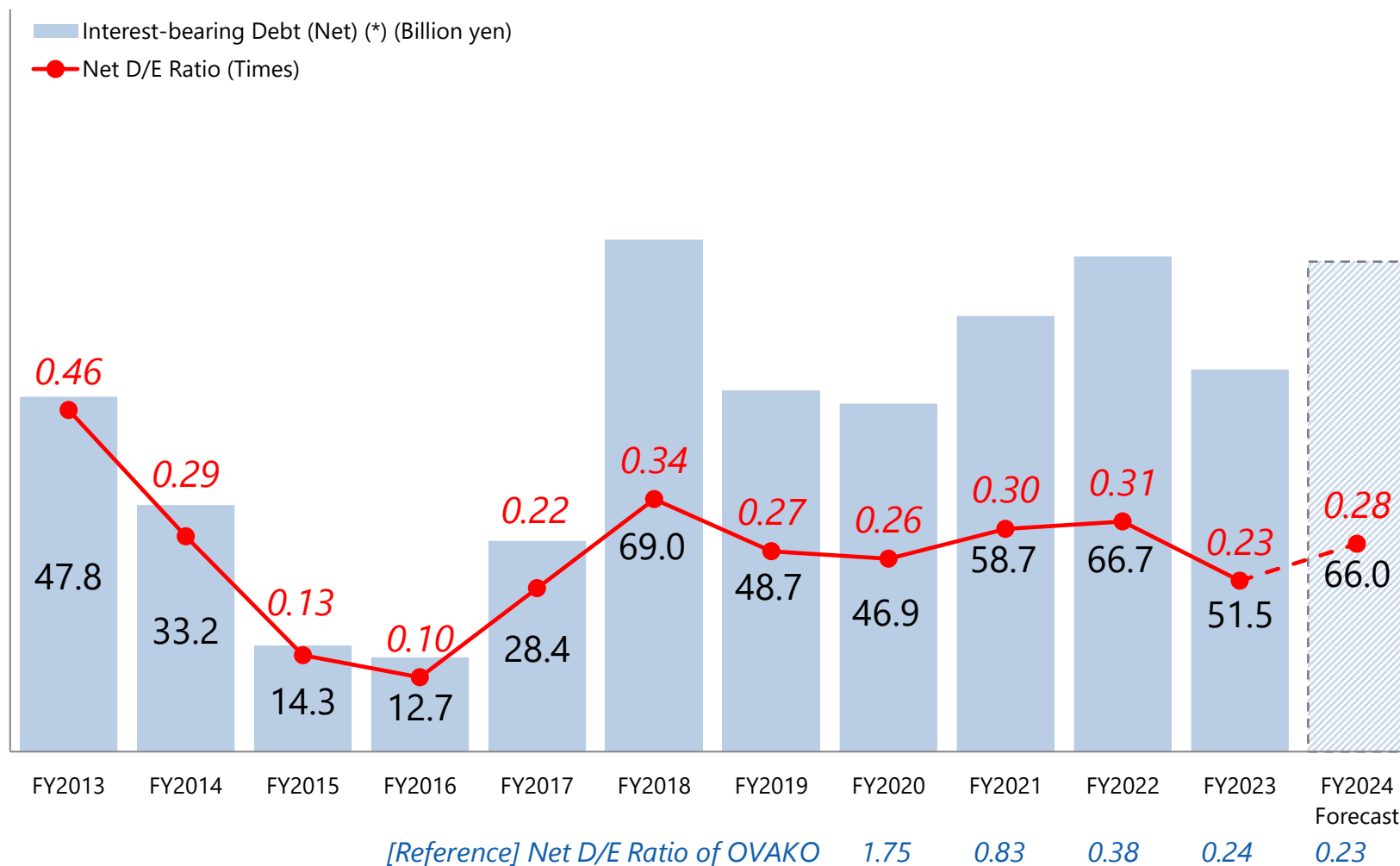
\*3 SSMI has been consolidated since FY2018/2Q, and OVAKO has been consolidated since FY2019/1Q for profit and loss.

# Capital Expenditure and Depreciation



\* Revised 2025 Medium-term Management Plan announced on Jul. 28, 2023

# D/E Ratio



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

# Details of Statements of Income (FY2023 vs. FY2022)

|   | (Unit: Billion yen, Yen per share) |              |              |               |                  |              |
|---|------------------------------------|--------------|--------------|---------------|------------------|--------------|
|   | FY23/1H                            | FY23/2H      | FY2023       | FY2022        | Change (D) → (C) |              |
|   | (A)                                | (B)          | (C)=(A)+(B)  | (D)           | Amount           | Ratio (%)    |
| <b>Net Sales</b>                                      | <b>185.3</b>                       | <b>168.6</b> | <b>353.8</b> | <b>393.8</b>  | <b>-40.0</b>     | <b>-10.2</b> |
| (Sanyo)   | 96.2                               | 82.0         | 178.2        | 193.2         | -15.1            | -7.8         |
| (OVAKO)   | 74.1                               | 69.9         | 144.0        | 171.1         | -27.0            | -15.8        |
| (SSMI)  | 11.2                               | 11.7         | 22.9         | 21.6          | +1.3             | +5.9         |
| <b>Operating Income</b>                               | <b>7.3</b>                         | <b>4.0</b>   | <b>11.4</b>  | <b>28.5</b>   | <b>-17.1</b>     | <b>-60.1</b> |
| (Sanyo)   | 2.7                                | 1.6          | 4.3          | 8.7           | -4.4             | -50.7        |
| (OVAKO)   | 5.6                                | 3.4          | 8.9          | 21.4          | -12.4            | -58.2        |
| (SSMI)  | 0.5                                | 0.5          | 1.0          | 0.2           | +0.8             | +473.1       |
| (Amortization of goodwill)                            | -1.6                               | -1.7         | -3.2         | -2.9          | -0.3             | —            |
| <b>Ordinary Income</b>                                | <b>7.8</b>                         | <b>4.3</b>   | <b>12.1</b>  | <b>28.9 *</b> | <b>-16.7</b>     | <b>-58.0</b> |
| (Sanyo)   | 6.9                                | 2.1          | 9.0          | 10.2          | -1.2             | -12.2        |
| (OVAKO)   | 5.1                                | 3.4          | 8.4          | 21.1          | -12.7            | -60.1        |
| (SSMI)  | 0.3                                | 0.4          | 0.7          | -0.2          | +0.9             | —            |
| (Amortization of goodwill)                            | -1.6                               | -1.7         | -3.2         | -2.9          | -0.3             | —            |
| <b>Net Income <sup>*1</sup></b>                       | <b>5.2</b>                         | <b>3.8</b>   | <b>9.1</b>   | <b>20.7</b>   | <b>-11.7</b>     | <b>-56.3</b> |
| <b>Earnings Per Share</b>                             | <b>96.1</b>                        |              | <b>166.2</b> | <b>380.7</b>  | <b>-214.5</b>    | <b>-56.3</b> |
| Operating Income<br>before amortization of goodwill   | 8.9                                | 5.7          | 14.6         | 31.4          | -16.8            | -53.5        |
| Ordinary Income<br>before amortization of goodwill    | 9.4                                | 6.0          | 15.4         | 31.8          | -16.4            | -51.6        |
| Net Income<br>before amortization of goodwill         | 6.8                                | 5.5          | 12.3         | 23.7          | -11.4            | -48.0        |
| Earnings Per Share<br>before amortization of goodwill | 125.3                              |              | 225.8        | 434.4         | -208.6           | -48.0        |
| <b>Sales volume (Thousand tons)</b>                   | <b>739</b>                         | <b>690</b>   | <b>1,429</b> | <b>1,607</b>  | <b>-179</b>      | <b>-11.1</b> |
| (Sanyo)   | 427                                | 379          | 806          | 894           | -88              | -9.8         |
| (OVAKO)   | 256                                | 252          | 508          | 608           | -101             | -16.6        |
| (SSMI)  | 56                                 | 59           | 115          | 105           | +10              | +9.5         |

\*1 Profit attributable to owners of parent \*2 The consolidated accounting period for SSMI is Jan. to Dec.

\* Ordinary income excluding impact of OVAKO's transient factors : 19.3 billion yen



# Details of Statements of Income

## (FY2024 Forecast Announced on April 30, 2024 vs. FY2023)

(Unit: Billion yen, Yen per share)

|   | FY24/1H      | FY24/2H      | FY2024 Forecast | FY2023       | Change (D) → (C) |             |
|---|--------------|--------------|-----------------|--------------|------------------|-------------|
|   | Forecast (A) | Forecast (B) | (C)=(A)+(B)     | (D)          | Amount           | Ratio (%)   |
| <b>Net Sales</b>                                      | <b>162.5</b> | <b>182.5</b> | <b>345.0</b>    | <b>353.8</b> | <b>-8.8</b>      | <b>-2.5</b> |
| (Sanyo)   | 77.5         | 85.5         | 163.0           | 178.2        | -15.2            | -8.5        |
| (OVAKO)   | 69.5         | 78.5         | 148.0           | 144.0        | +4.0             | +2.8        |
| (SSMI)  | 12.0         | 14.0         | 26.0            | 22.9         | +3.1             | +13.6       |
| <b>Operating Income</b>                               | <b>2.1</b>   | <b>10.3</b>  | <b>12.4</b>     | <b>11.4</b>  | <b>+1.0</b>      | <b>+9.1</b> |
| (Sanyo)   | 1.2          | 5.0          | 6.2             | 4.3          | +1.9             | +45.0       |
| (OVAKO)   | 1.8          | 5.2          | 7.0             | 8.9          | -1.9             | -21.5       |
| (SSMI)  | 0.5          | 0.9          | 1.4             | 1.0          | +0.4             | +41.7       |
| (Amortization of goodwill)                            | -1.6         | -1.5         | -3.1            | -3.2         | +0.1             | —           |
| <b>Ordinary Income</b>                                | <b>2.0</b>   | <b>11.0</b>  | <b>13.0</b>     | <b>12.1</b>  | <b>+0.9</b>      | <b>+7.3</b> |
| (Sanyo)   | 4.2          | 6.3          | 10.5            | 9.0          | +1.5             | +17.1       |
| (OVAKO)   | 1.8          | 4.7          | 6.5             | 8.4          | -1.9             | -22.9       |
| (SSMI)  | 0.3          | 0.7          | 1.0             | 0.7          | +0.3             | +49.4       |
| (Amortization of goodwill)                            | -1.6         | -1.5         | -3.1            | -3.2         | +0.1             | —           |
| <b>Net Income<sup>*1</sup></b>                        | <b>1.0</b>   | <b>8.5</b>   | <b>9.5</b>      | <b>9.1</b>   | <b>+0.4</b>      | <b>+4.9</b> |
| <b>Earnings Per Share</b>                             | <b>18.4</b>  |              | <b>174.4</b>    | <b>166.2</b> | <b>+8.2</b>      | <b>+4.9</b> |
| Operating Income<br>before amortization of goodwill   | 3.7          | 11.8         | 15.5            | 14.6         | +0.9             | +6.1        |
| Ordinary Income<br>before amortization of goodwill    | 3.6          | 12.5         | 16.1            | 15.4         | +0.7             | +4.8        |
| Net Income<br>before amortization of goodwill         | 2.6          | 10.0         | 12.6            | 12.3         | +0.3             | +2.4        |
| Earnings Per Share<br>before amortization of goodwill | 47.7         |              | 231.3           | 225.8        | +5.5             | +2.4        |
| <b>Sales volume (Thousand tons)</b>                   | <b>673</b>   | <b>779</b>   | <b>1,452</b>    | <b>1,429</b> | <b>+23</b>       | <b>+1.6</b> |
| (Sanyo)   | 369          | 411          | 780             | 806          | -26              | -3.2        |
| (OVAKO)   | 246          | 299          | 545             | 508          | +38              | +7.4        |
| (SSMI)  | 58           | 69           | 127             | 115          | +12              | +10.3       |

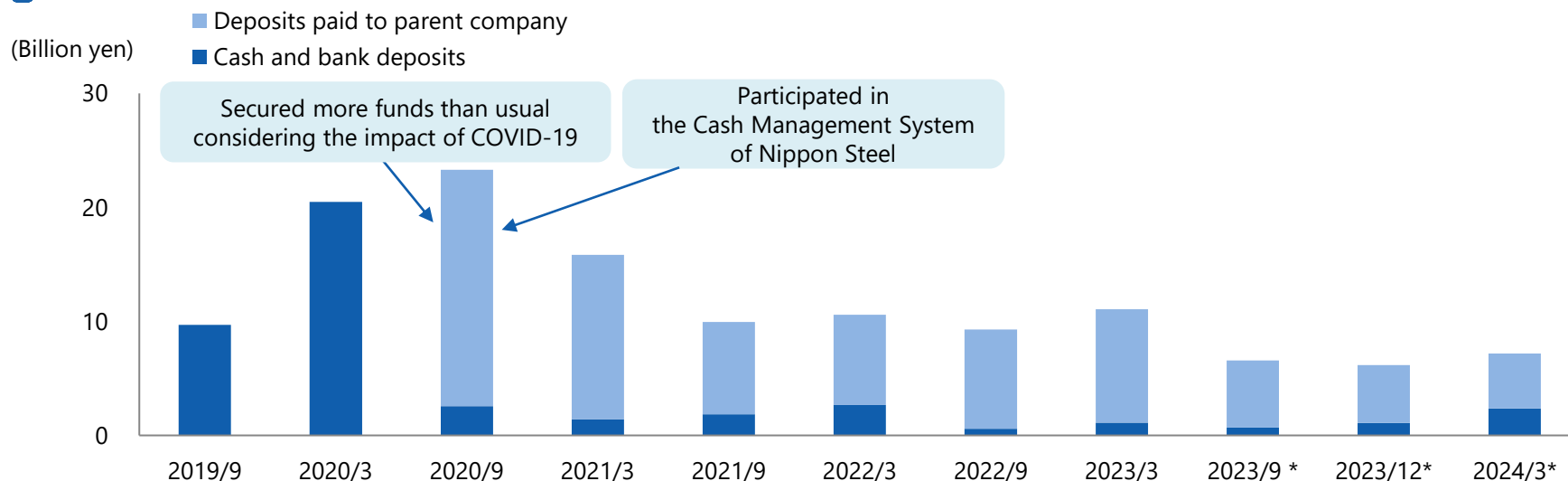
\*1 Profit attributable to owners of parent

\*2 The consolidated accounting period for SSMI is Jan. to Dec.

# 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)



\* Including impact of financial institution holidays

(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.

# SANYO SPECIAL STEEL - the Confident Choice



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