



# Overview of Business Results

for the 3<sup>rd</sup> Quarter of Fiscal Year Ending March 31, 2023  
(April 2022 → December 2022)

February 1, 2023

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



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

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# **1 . FY2022 3rd Quarter Results**

# Outline of Statements of Income

## 1. Outline of FY2022/1~3Q Result

### Ordinary income : 20.7 billion yen (+6.2 billion yen)

▶ Profit on YOY basis increased due to improved profit margin at Sanyo and OVAKO which includes transient factors, through increasing sales prices and improving product mix, partly offset by increase of raw material and fuel prices.

(OVAKO's results and Amortization of goodwill in FY21/1-3Q include 12 months (Jan.-Dec. 2021), due to the change of fiscal year end)

(Reference) FY22/1~3Q Sales Volume ··· for OVAKO; Apr. to Dec. 2022, for SSMI; Jan. to Sep. 2022

	FY22/1~3Q (A)		FY21/1~3Q (B)		Change (B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Sales Volume (Thousand tons)	1,210	(per month) 134.5	1,542	(per month) 152.1	-331	(per month) -17.6
(Sanyo)	681	75.7	763	84.8	-82	-9.1
(OVAKO)	451	50.1	691	57.6	-240	-7.5
(SSMI) <sup>*1</sup>	78	8.7	88	9.7	-9	-1.1

## 2. Statements of Income (FY22/1~3Q vs. FY21/1~3Q)

(Unit : Billion yen)

	FY22/1~3Q (A)		FY21/1~3Q (B)		Change (B) → (A)	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
Net Sales	294.4	100.0	269.3	100.0	+25.1	+9.3
Operating Income	20.4	6.9	14.4	5.4	+6.0	+41.8
Ordinary Income	20.7	ROS 7.0	14.5	ROS 5.4	+6.2	+42.3
(Sanyo)	9.5	6.5	7.5	6.1	+2.0	+26.4
(OVAKO)	13.9	11.0	8.6	6.7	+5.3	+61.2
(SSMI) <sup>*1</sup>	-0.4	-	0.3	2.7	-0.7	-
(Amortization of goodwill)	-2.2	-	-2.7	-	+0.5	-
Net Income <sup>*2</sup>	14.8	5.0	10.2	3.8	+4.6	+45.3
Net Income before amortization of goodwill	16.9	5.8	12.9	4.8	+4.1	+31.8

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

(\*2) Profit attributable to owners of parent

# Business Environment

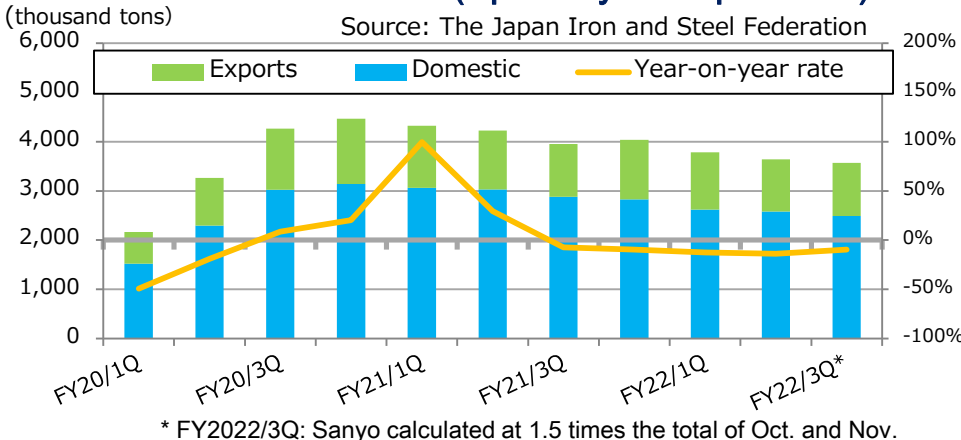
## Demand Trends

Influence of destocking in the supply chain in addition to reduction of auto production partly due to semiconductor shortage have continued. Production for construction and industrial machineries also entered into an adjustment phase. The impact of inflation on the global economy is increasingly becoming a concern.

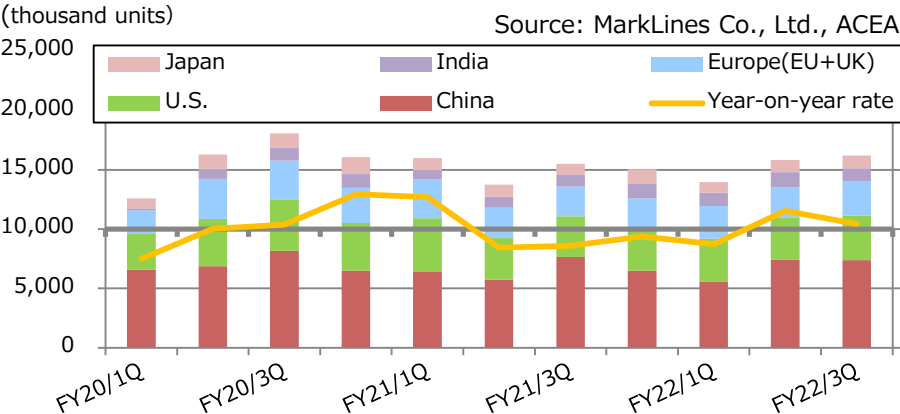
## Raw Material and Fuel Prices

Raw material price trend still remains high, though the depreciation of the yen has calmed down to some extent. Energy prices have continued to rise, hence electricity prices are also expected to continue to rise further.

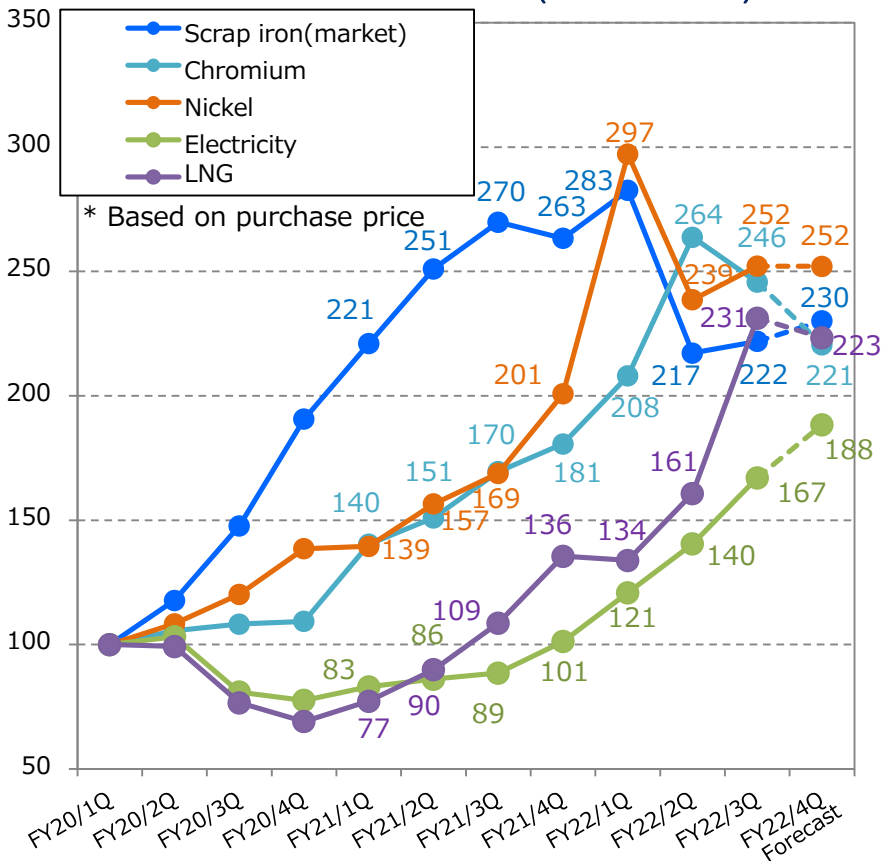
### Volume of order booked (Specialty steel products)



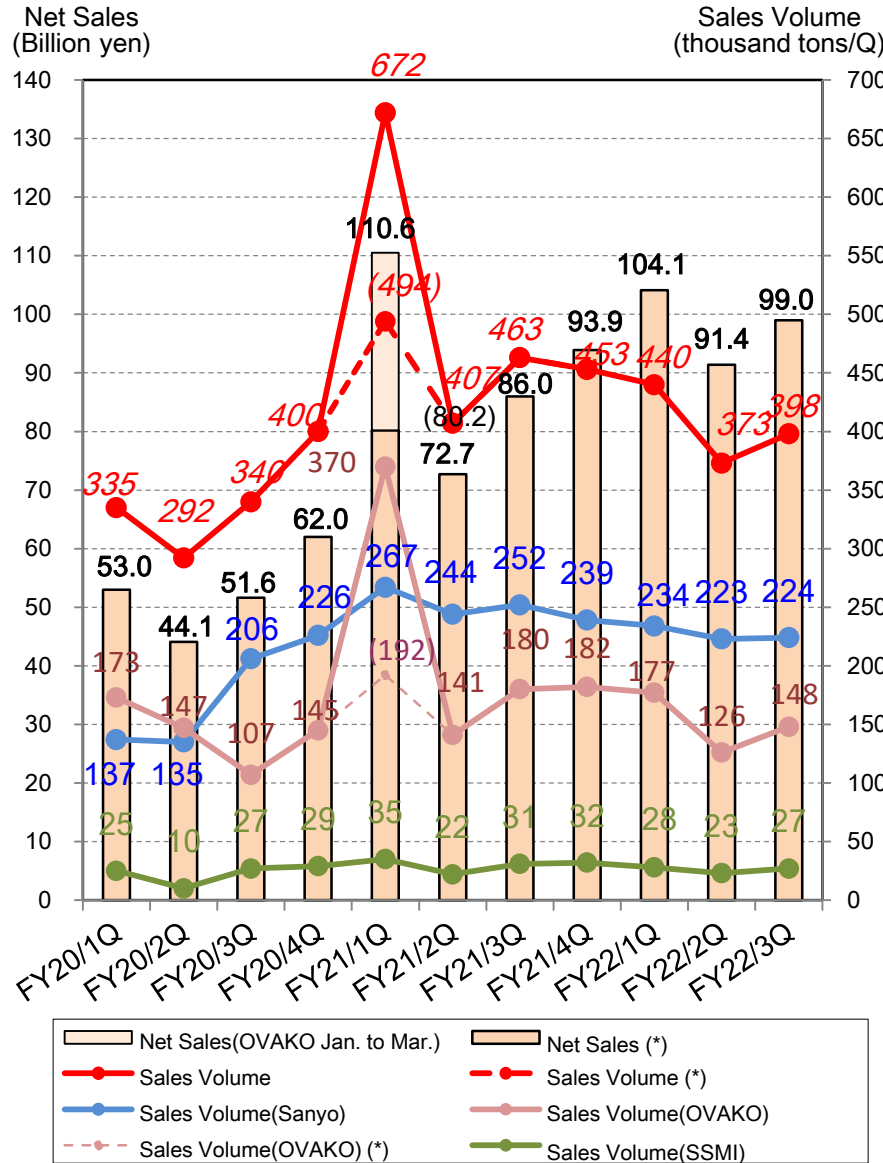
### Units of automobile sales



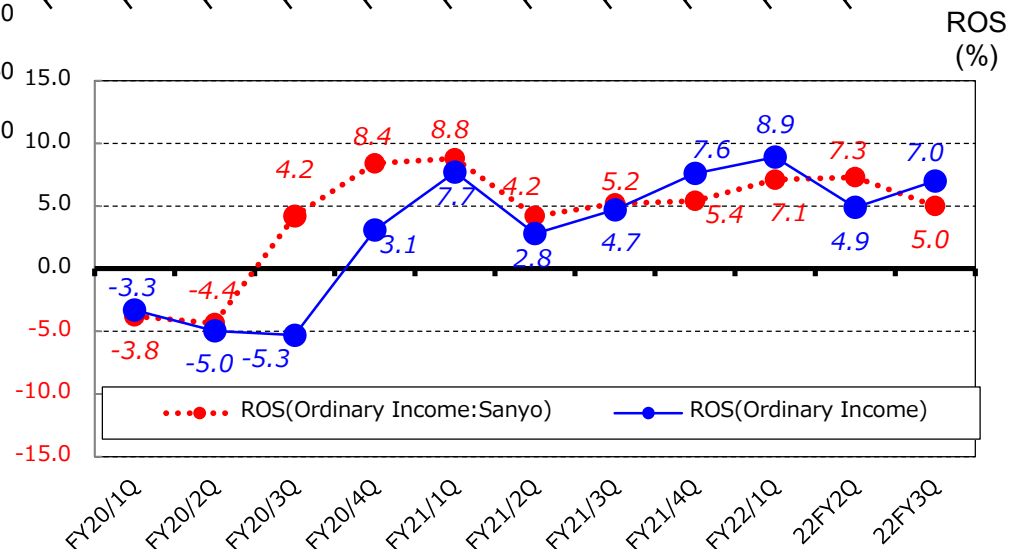
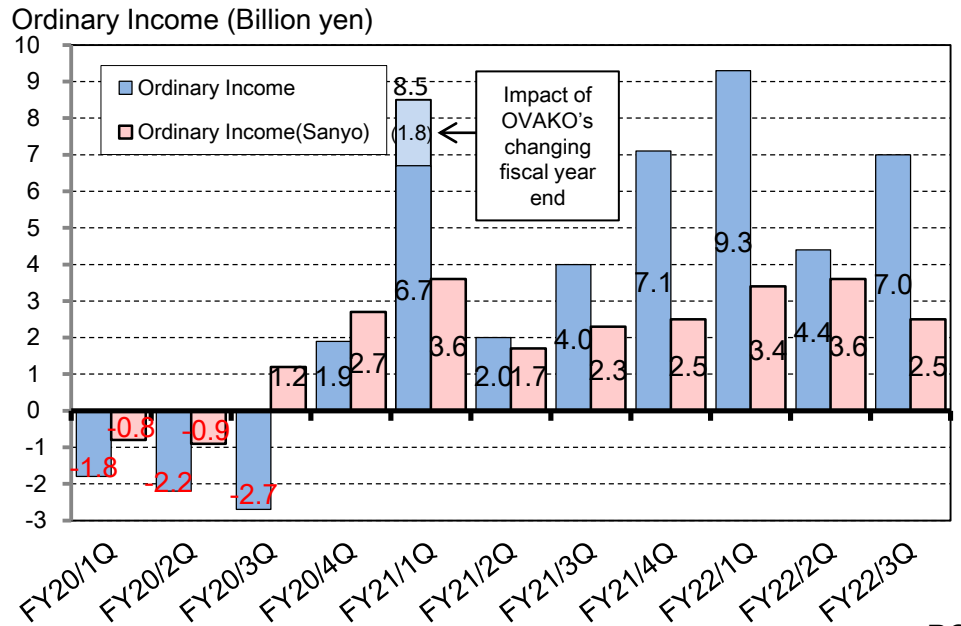
### Raw Material and Fuel Prices (FY20/1Q = 100)



# Net Sales and Income (Quarterly)



(\*)Excluding OVAKO's sales Jan. to Mar., 2021



# Ordinary Income Variance Analysis (FY21/1~3Q → FY22/1~3Q)

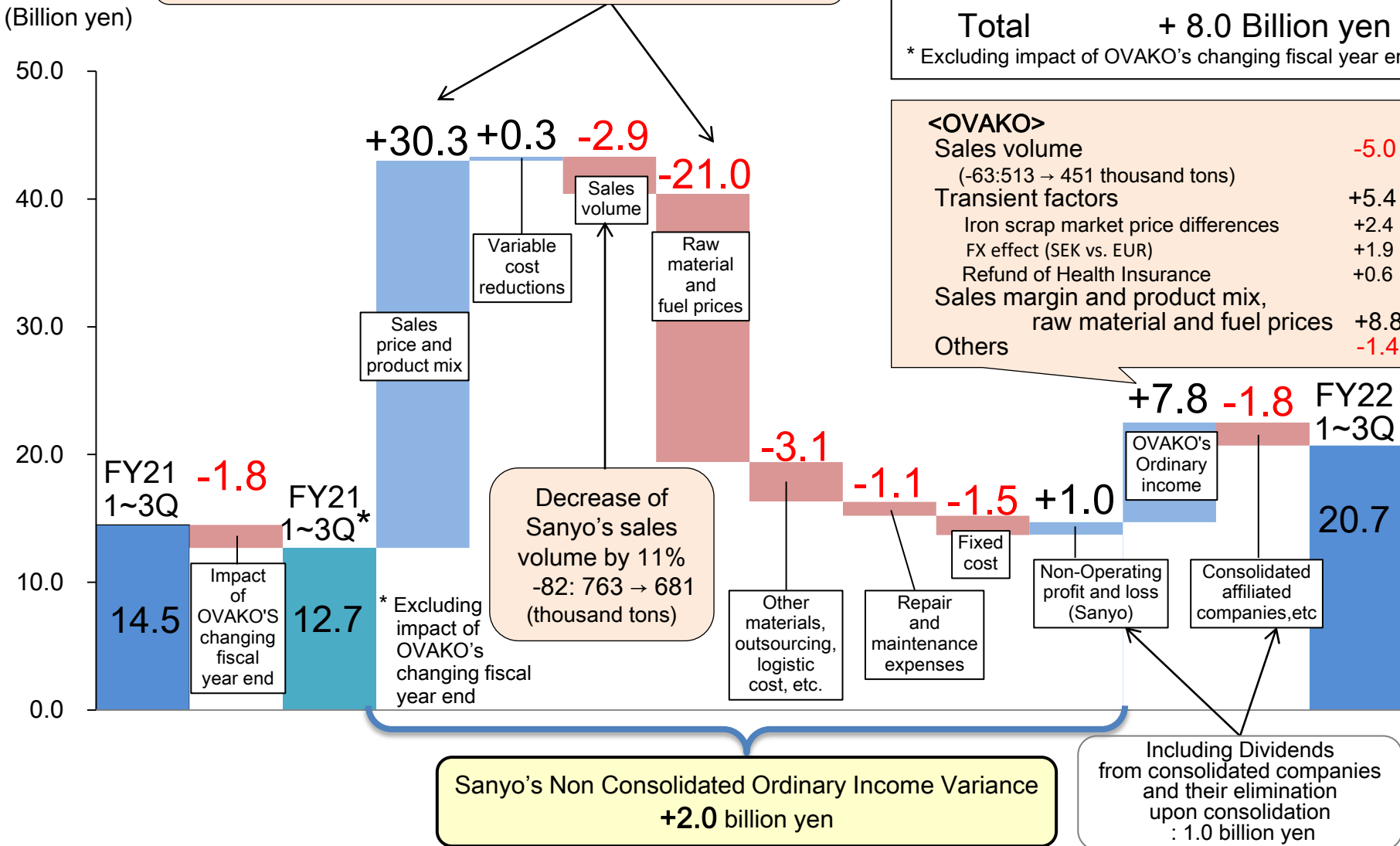
Time lag of iron scrap surcharge pricing **+4.8 billion yen**  
(FY21/1~3Q -4.0 → FY22/1~3Q +0.8)

Increase **+39.4 Billion yen**  
Decrease **-31.4 Billion yen**

**Total + 8.0 Billion yen \***

\* Excluding impact of OVAKO's changing fiscal year end

<OVAKO>	
Sales volume	-5.0
(63:513 → 451 thousand tons)	
Transient factors	+5.4
Iron scrap market price differences	+2.4
FX effect (SEK vs. EUR)	+1.9
Refund of Health Insurance	+0.6
Sales margin and product mix, raw material and fuel prices	+8.8
Others	-1.4

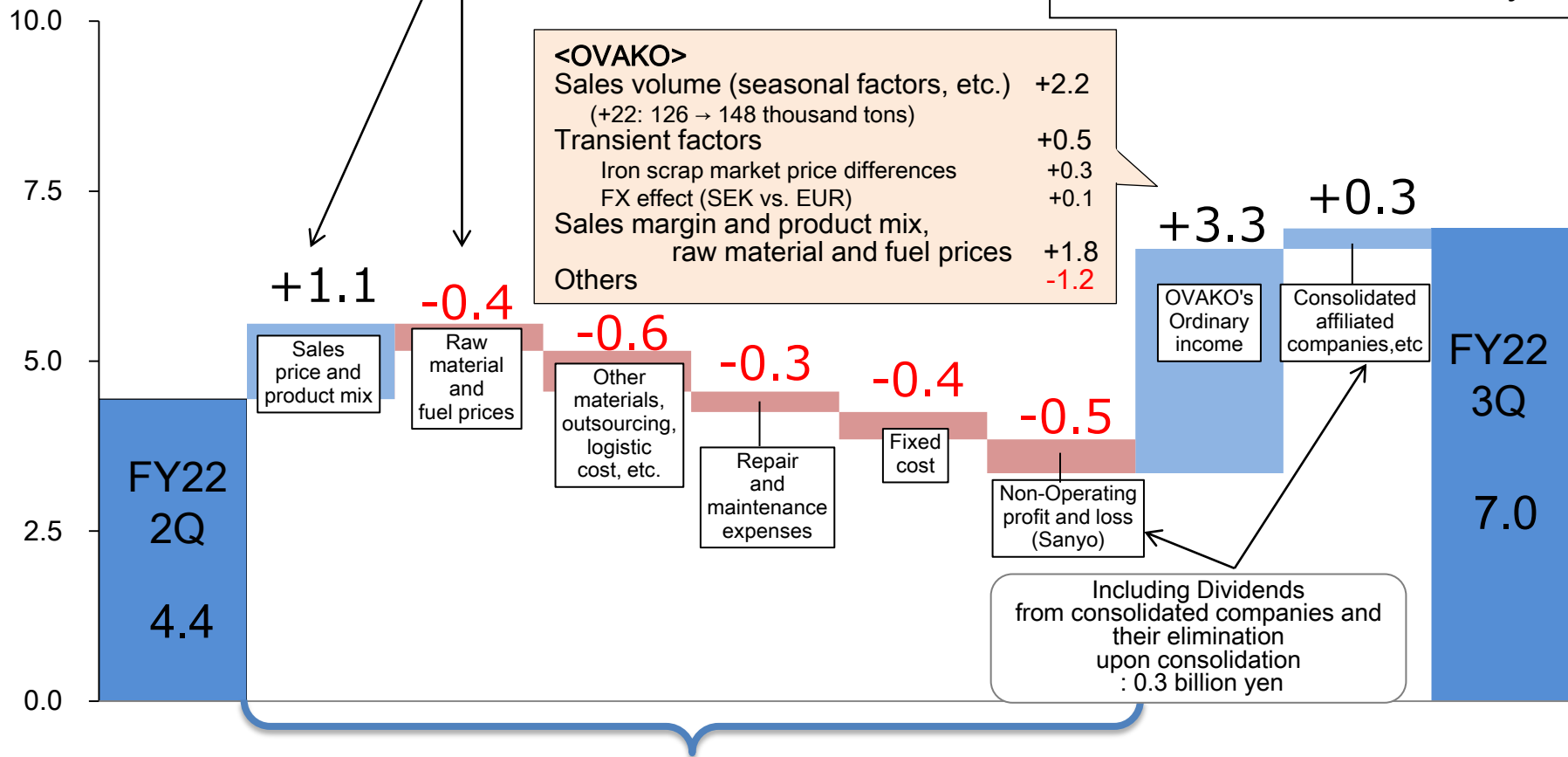


# Ordinary Income Variance Analysis (FY22/2Q → FY22/3Q)

Time lag of iron scrap surcharge pricing **-0.5** billion yen  
(FY22/2Q +1.0 → FY22/3Q +0.4)

Increase	+4.7 Billion yen
Decrease	<b>-2.2</b> Billion yen
<b>Total</b>	<b>+2.5</b> Billion yen

(Billion yen)



**<OVAKO>**  
 Sales volume (seasonal factors, etc.) +2.2  
 (+22: 126 → 148 thousand tons)  
 Transient factors +0.5  
 Iron scrap market price differences +0.3  
 FX effect (SEK vs. EUR) +0.1  
 Sales margin and product mix, raw material and fuel prices +1.8  
 Others **-1.2**

Sanyo's Non Consolidated Ordinary Income Variance **-1.1** billion yen

Including Dividends from consolidated companies and their elimination upon consolidation : 0.3 billion yen



# Earnings by Business Segment

(Unit : Billion yen)

	FY22/1~3Q (A)			FY21/1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	282.1	19.2	6.8	259.6	13.4	5.2	+22.5	+5.8	+1.6
Metal Powders	3.9	0.8	20.6	3.3	0.6	18.7	+0.6	+0.2	+1.9
Formed and Fabricated Materials	14.9	0.3	2.3	13.4	0.4	2.6	+1.5	-0.0	-0.3
Sub-total	300.9	20.3	6.8	276.3	14.4	5.2	+24.6	+6.0	+1.6
Other	1.0	0.0	2.5	0.7	0.0	0.4	+0.2	+0.0	+2.1
Adjustments	-7.5	0.1	-	-7.7	0.1	-	+0.2	+0.0	-
Consolidated total	294.4	20.4	6.9	269.3	14.4	5.4	+25.1	+6.0	+1.6

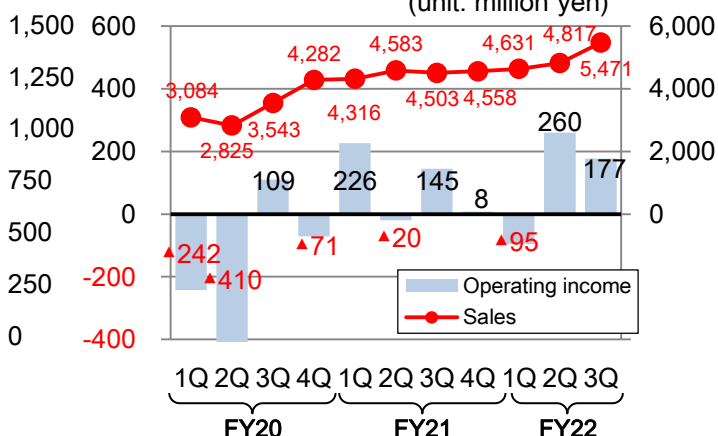
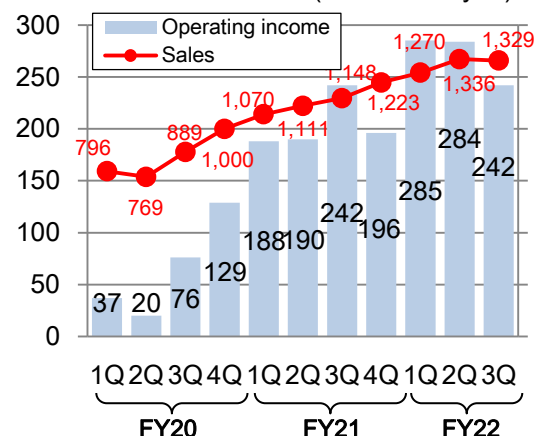
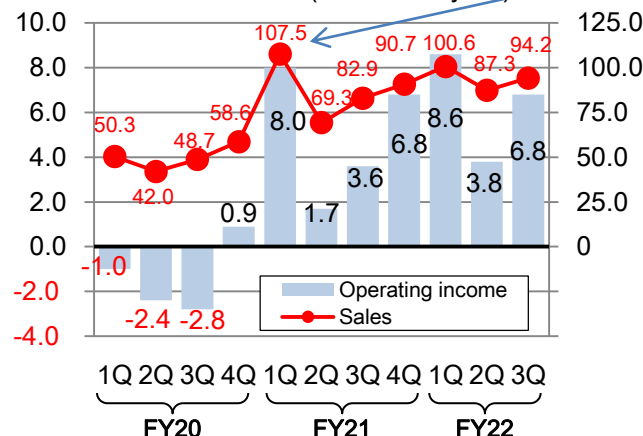
Change in Business Segment

Including impact of OVAKO's changing fiscal year end

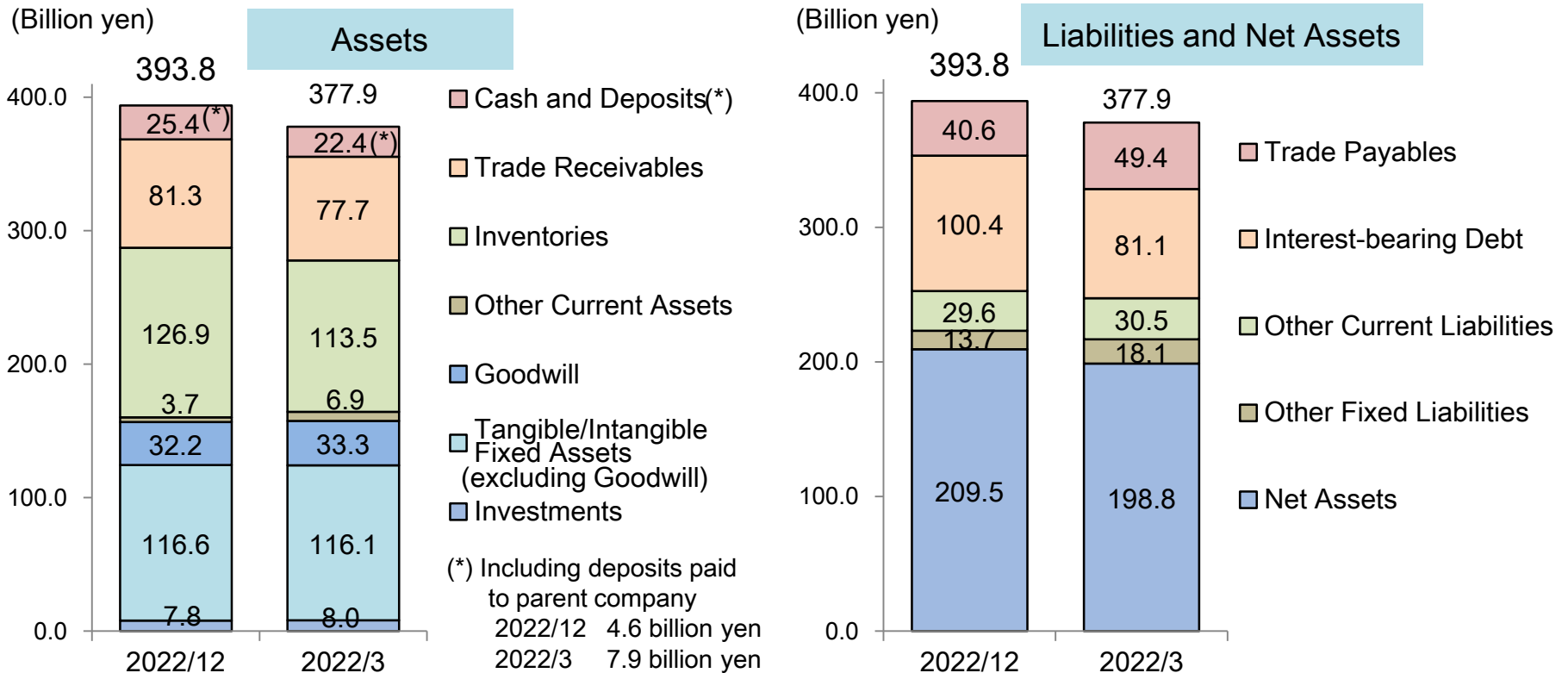
Steel Products (unit: billion yen)

Metal Powders (unit: million yen)

Formed and Fabricated Materials (unit: million yen)



# Balance Sheets



#### Major changes in Assets +15.9 billion yen (+4.2%)

Inventories	+13.4
Trade Receivables	+ 3.6
Goodwill	- 1.1
(amortization -2.2, foreign exchange impact +1.1)	

#### Major changes in Liabilities and Net Assets +15.9 billion yen (+4.2%)

Trade Payables	- 8.9
Interest-bearing Debt	+19.3
Other noncurrent liabilities	- 4.4
Net Assets	+10.6

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Dec., 2022, non consolidated basis)  
Sanyo 283.3 billion yen, OVAKO 118.0 billion yen, SSMI 14.4 billion yen

Equity Ratio	2022/12	2022/3
	52.7%	52.1%

## **2. FY2022 Forecast**

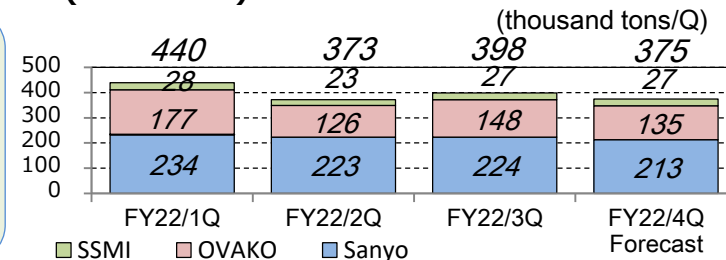
# Revised Business Forecast for FY22 (announced on February 1, 2023)

## 1. FY2022 Outlook

Ordinary income in FY22 is expected to be 22.0 billion yen positive  
(Compared to previous forecast: +2.0 billion yen)

- We will achieve profit of 22.0 billion yen positive mainly by increasing sales prices partly through further applying surcharges and improving profit margin of OVAKO including transient factors, though sales volume is expected to decrease compared to previous forecast.
- We will further continue improving profit margin, reinforcing profitability of overseas businesses and strengthening the business foundation.

## (Reference)FY2022 Sales volume Forecast



## 2. FY2022 Forecast

(Unit : Billion yen)

	Revised forecast '23/2/1					Previous forecast '22/10/31		Change	
	1H	2H		FY22(A)	2H	FY21(B)	B→A	3Q→4Q	
		3Q	4Q (f)						
Net Sales	195.4	99.0	92.6	191.6	387.0	189.6	385.0	+2.0	-6.4
Operating Income	13.2	7.3	1.5	8.8	22.0	6.4	19.6	+2.4	-5.7
Ordinary Income	13.7	7.0	1.3	8.3	22.0	6.3	20.0	+2.0	-5.7
(Sanyo)	7.0	2.5	1.0	3.5	10.5	3.5	10.5	-	-1.5
(OVAKO)	8.9	5.0	0.1	5.1	14.0	3.1	12.0	+2.0	-4.8
(SSMI)	-0.2	-0.2	0.2	0.0	-0.2	0.2	0.0	-0.2	+0.3
(Amortization of goodwill)	-1.4	-0.7	-0.7	-1.5	-2.9	-1.4	-2.9	-	-
Net Income <sup>*2</sup>	9.9	4.9	1.2	6.1	16.0	4.7	14.6	+1.4	-3.7
Net Income before amortization of goodwill	11.3	5.6	2.0	7.6	18.9	6.2	17.5	+1.4	-3.7
Sales Volume (Thousand tons)	812	398	375	773	1,585	787	1,599	-14	-23
(Sanyo)	458	224	213	437	894	423	881	+13	-10
(OVAKO)	303	148	135	283	586	300	603	-17	-12
(SSMI)	51	27	27	54	105	64	115	-10	+0

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

(\*2) Profit attributable to owners of parent

Major assumptions after January 2023

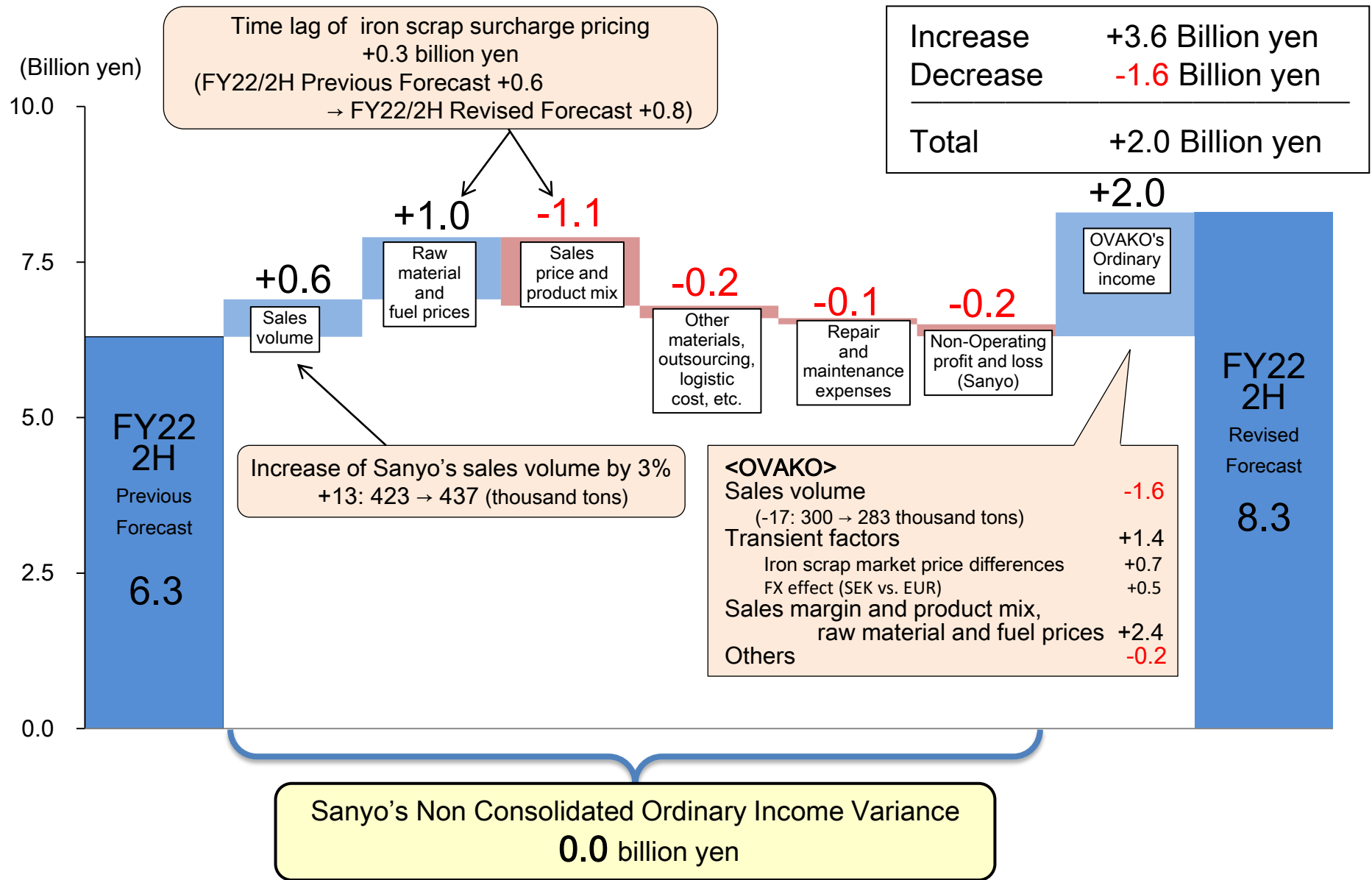
· Scrap iron 50,000 yen/t (H2 market price in Himeji area)

· Crude oil(Dubai) 90\$/BL

· Exchange rate 130 yen/US\$, 140 yen/€

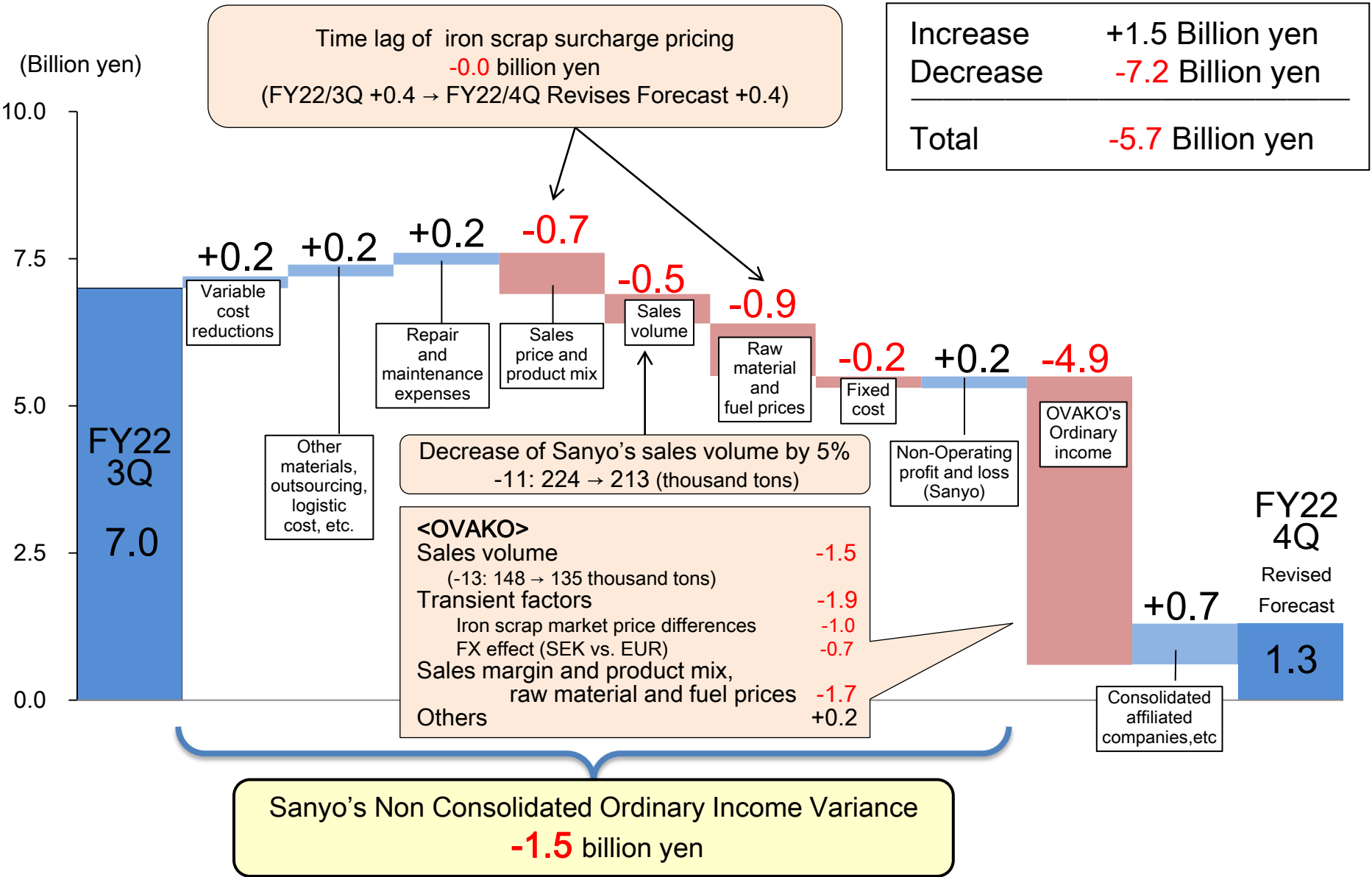
# Ordinary Income Variance Analysis

(FY22/2H Previous Forecast → FY22/2H Revised Forecast)



# Ordinary Income Variance Analysis

(FY22/3Q → FY22/4Q Revised Forecast)



FY22 4Q Revised Forecast

1.3

# Ordinary Income Variance Analysis

(FY22/1H Result → FY22/2H Revised Forecast)

(Billion yen)

20.0

15.0

10.0

5.0

0.0

FY22  
1H  
13.7

FY22  
2H  
Revised  
Forecast  
8.3

Decrease of Sanyo's sales volume by 5%  
-21: 458 → 437 (thousand tons)

+3.1 Sales price and product mix  
+0.2 Variable cost reductions  
-0.9 Sales volume  
-2.4 Raw material and fuel prices

-0.6 Other materials, outsourcing, logistic cost, etc.  
-0.2 Repair and maintenance expenses  
-0.8 Fixed cost

Increase	+5.3 Billion yen
Decrease	-10.7 Billion yen
<b>Total</b>	<b>-5.4 Billion yen</b>

Including Dividends from consolidated companies and their elimination upon consolidation : 1.2 billion yen

Time lag of iron scrap surcharge pricing  
+0.5 billion yen  
(FY22/1H +0.4 → FY22/2H Revised Forecast +0.8)

Sanyo's Non Consolidated Ordinary Income Variance  
**-3.5 billion yen**

<b>&lt;OVAKO&gt;</b>	
Sales volume (-20: 303 → 283 thousand tons)	-2.2
Transient factors	-1.6
Iron scrap market price differences	-0.4
FX effect (SEK vs. EUR)	-0.5
Refund of Health Insurance	-0.6
Sales margin and product mix, raw material and fuel prices	+0.4
Others	-0.5

-1.9 Non-Operating profit and loss (Sanyo)  
-3.9 OVAKO's Ordinary income  
+2.0 Consolidated affiliated companies, etc

# Ordinary Income Variance Analysis

(FY21 Result → FY22 Revised Forecast)

Time lag of iron scrap surcharge pricing **+5.7 billion yen**  
(FY21 -4.5 → FY22 Revised Forecast +1.2)

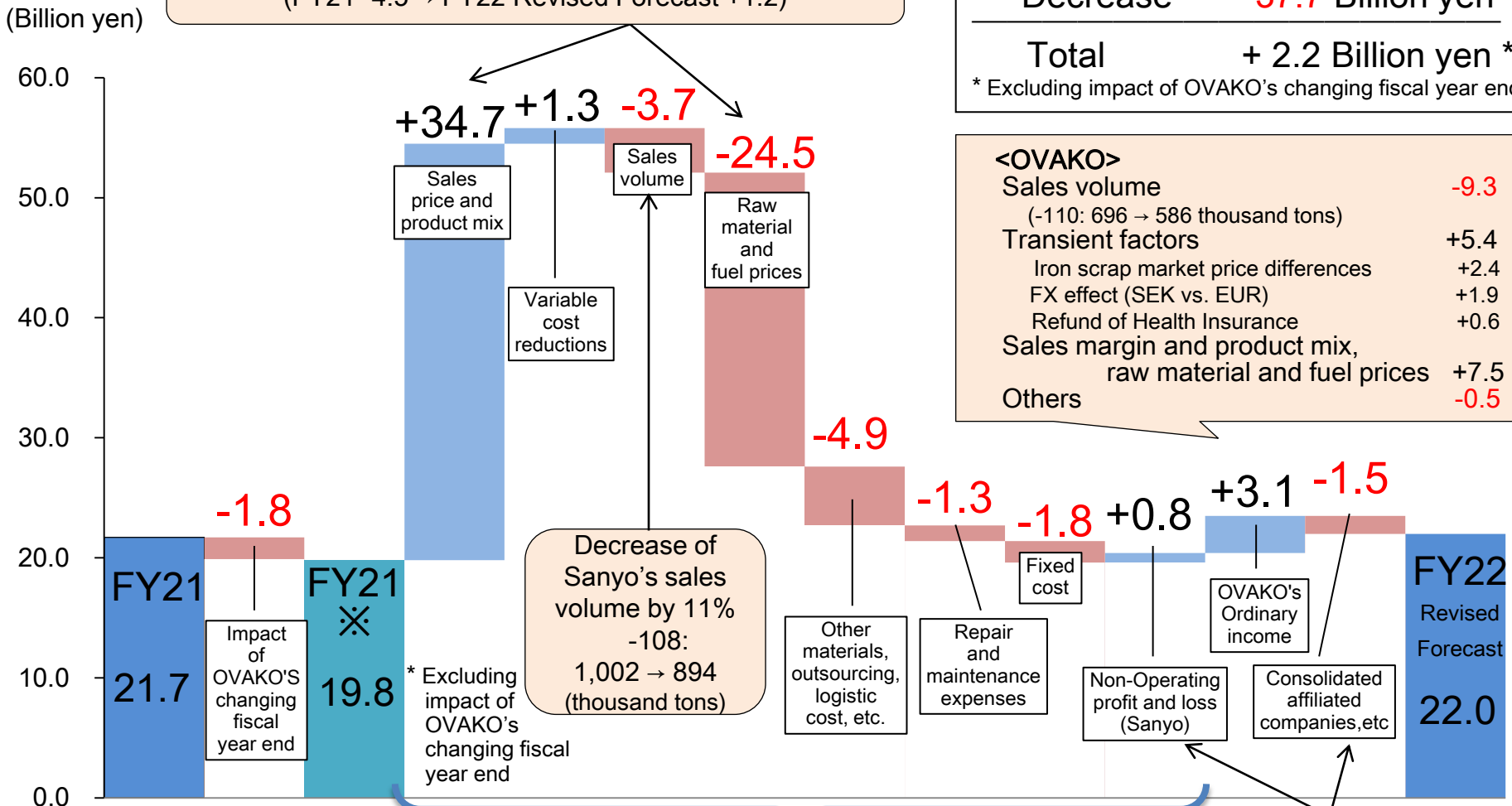
Increase **+39.9 Billion yen**  
Decrease **-37.7 Billion yen**

Total **+ 2.2 Billion yen \***

\* Excluding impact of OVAKO's changing fiscal year end

### <OVAKO>

Sales volume	-9.3
(-110: 696 → 586 thousand tons)	
Transient factors	+5.4
Iron scrap market price differences	+2.4
FX effect (SEK vs. EUR)	+1.9
Refund of Health Insurance	+0.6
Sales margin and product mix, raw material and fuel prices	+7.5
Others	-0.5



Decrease of Sanyo's sales volume by 11%  
-108:  
1,002 → 894  
(thousand tons)

\* Excluding impact of OVAKO's changing fiscal year end

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

Including Dividends from consolidated companies and their elimination upon consolidation : 0.9 billion yen



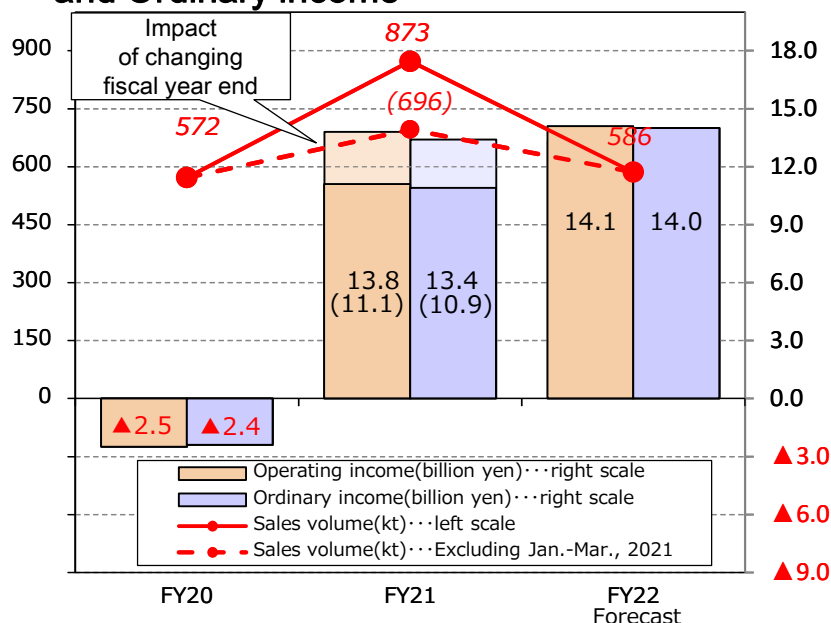
# Review of Performance <OVAKO>

## FY2022 Business Forecast

**Ordinary income in FY22 : 14.0 billion yen**  
 (+0.6 billion yen compared to FY21, excluding impact of changing the fiscal year end : +3.1 billion yen)

- FY22 : Margin improvement including transient factors partly offset volume decrease, although impacts of market environment deterioration triggered by Russian invasion to Ukraine have emerged.
- Introduced **energy surcharge** from April 1, 2022, and will continue to appropriately reflect the significant rise of energy prices to sales price to maintain profit margin.
- Achieved **carbon neutral (CN) in production from January 2022** and applied **climate surcharge** to all customers unanimously. OVAKO will be able to relatively secure sales volume in even case of declining demand with the advantage of being CN.
- **Timely reflecting the effect of significant cost inflation to sales price from 2023.**
- Continue strict control of fixed cost by resiliently implementing optimization of operational structure.

## 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 through variable cost reduction 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>

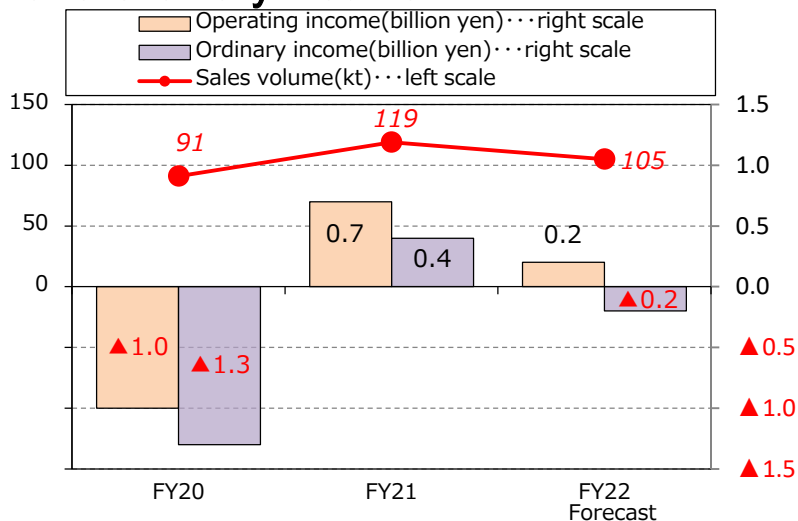
## FY2022 Business Forecast

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

SSMI will secure positive returns in FY22/4Q by ensuring implementation of following measures.

- ▶ Improving margins by increasing sales price and expanding sales volume in mainly high-margin segments.
- ▶ Using cost effective cold iron resources, reducing electricity cost and pursuing manufacturing cost reduction through production optimization.

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



The Company has changed its name from Mahindra Sanyo Special Steel Private Limited (MSSS) to Sanyo Special Steel Manufacturing India Private Limited (SSMI) effective June 23, 2022, since the Trademark License Agreement with Mahindra and Mahindra Limited, a minority shareholder of the Company, expired.

## 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

**We will globally utilize the technology of high-cleanliness steel, the basis of our brand and technological superiority, and will reinforce our position in the growing Indian market.**

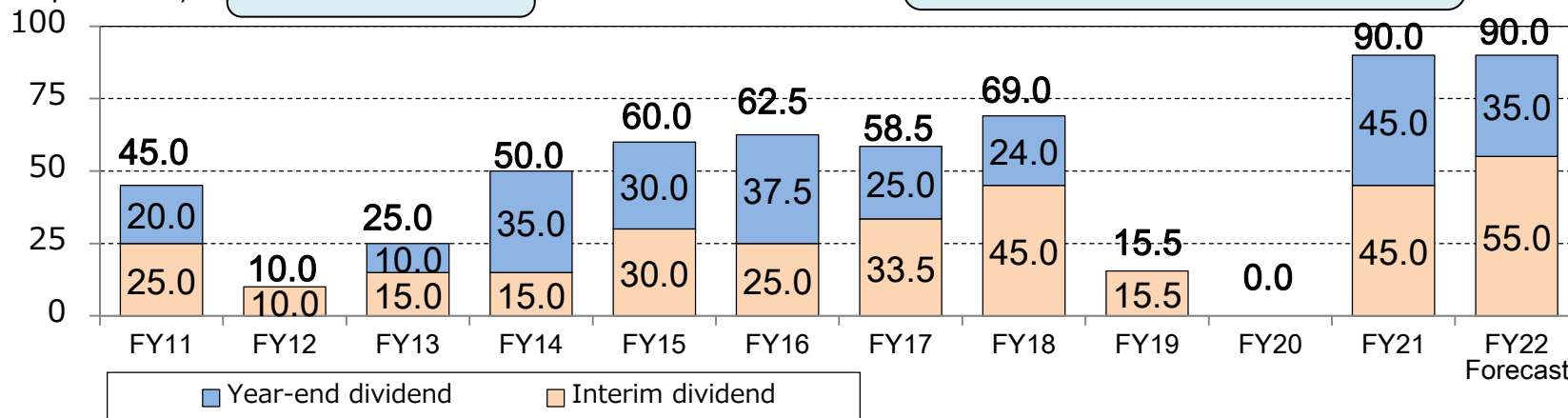
# Dividend Forecast for FY22 (announced on February 1, 2023)

			FY22 1H (Result)	Revised forecast (A) '23/2/1		Previous forecast (B) '22/10/31		Change(B) → (A)	
				FY22 2H	FY22	FY22 2H	FY22	FY22 2H	FY22
Earnings Per Share(EPS)	A	¥/share	181.2	–	293.7	–	268.0	–	+25.7
EPS before amortization of Goodwill	B	¥/share	207.5	–	346.9	–	321.2	–	+25.7
<b>Dividend</b>	<b>C</b>	<b>¥/share</b>	<b>55.0</b>	<b>35.0</b>	<b>90.0</b>	<b>30.0</b>	<b>85.0</b>	<b>+5.0</b>	<b>+5.0</b>
Payout Ratio	C/B	%	26.5	–	25.9	–	26.5	–	-0.6
	C/A	%	30.4	–	30.6	–	31.7	–	-1.1

Record High  
as 1H Dividend

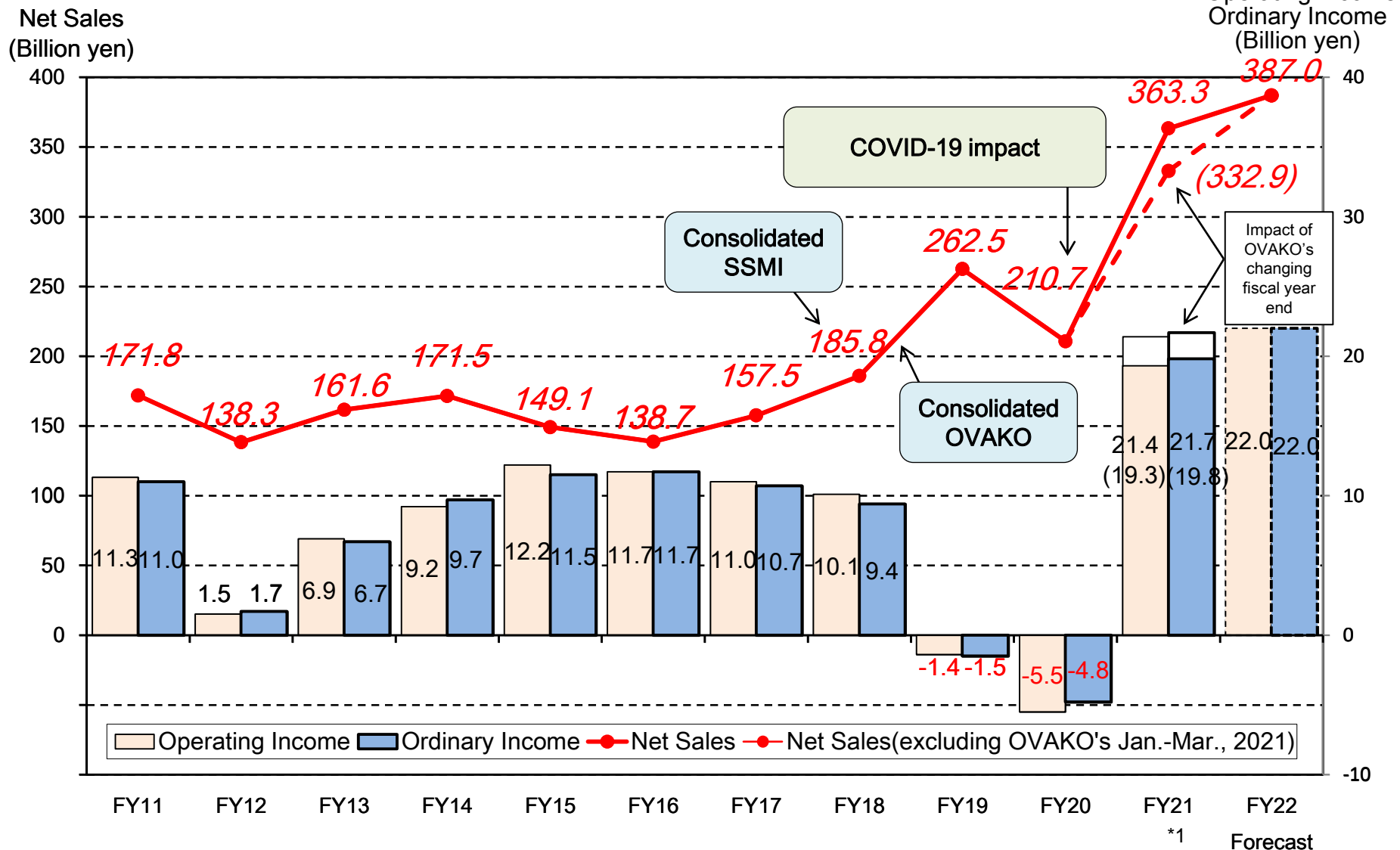
Record High as full-year Dividends  
(same amount as the previous year)

(Yen per share)



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

# Net Sales and Income (Fiscal)



\*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.

## **3. Topics**

## (1) “Eco Leaf” Certification, an Environmental Product Declaration (EPD) (announced on January 20, 2023 )

We are now able to present our customers with objective and highly transparent environmental information related to our products.

Sanyo is the first special steel manufacturer in Japan to obtain Eco Leaf certification.



JR-AW-23001E

### Eco Leaf

An environmental product declaration (EPD) that discloses quantitative environmental information based on the entire life cycle of a product.

Through disclosing of data verified by a third party in order to ensure reliability and transparency, customers incorporate this information in their decision-making when selecting environmentally friendly products.

## (2) CDP Climate Change Score “B” (December 13, 2022)

Sanyo responded to the CDP Climate Change questionnaire for the first time in July 2022 and received a “B” score.

CDP is a British NGO that operates a global environmental disclosure system.

In 2022, more than 18,700 companies are surveyed around the world and evaluated their efforts to climate change on 8-level scale from A to D-.



## Publishing Integrated Report (November 15, 2022)

Available  
on our website.



(<https://www.sanyo-steel.co.jp/social/csr2022.php>)

# Topics

## (3) Interaction with local communities

### Book Donation (Nov. 2022)

Our Cultural Promotion Foundation donated juvenile books to 23 elementary schools in Himeji City.



### Plant tours and on-site classes for elementary school students (Nov.-Dec. 2022)

We held plant tours and on-site classes for students of neighbor elementary schools. Students of 4 schools in Himeji City studied our special steel manufacturing processes and SDGs initiatives.



### Running lesson for children (Dec. 2022)

Our running team athletes instructed how to run for about 60 children at a running lesson held by the Aioi City Board of Education.



### New Year Concert (Jan. 2023)

Our Cultural Promotion Foundation held a New Year Concert. About 150 elementary and junior high school students performed choral and ensemble music in music hall.

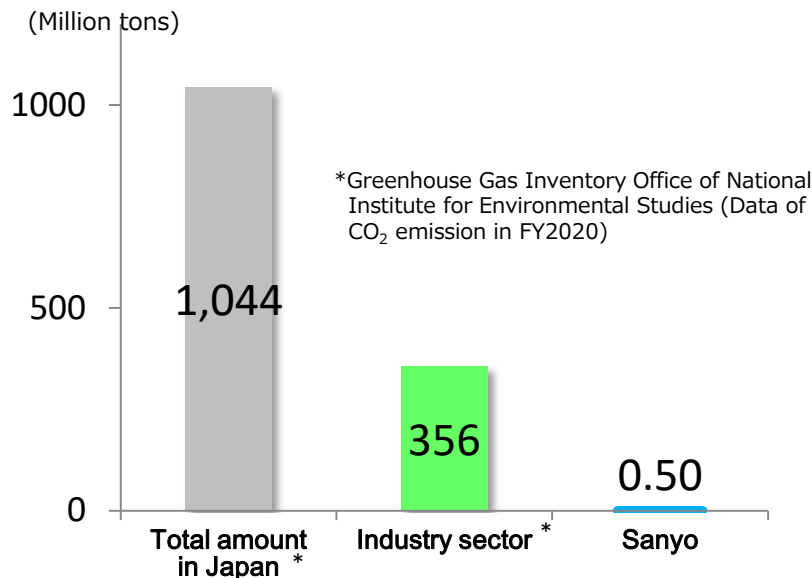


# **4. Achieving Carbon Neutrality(CN) by 2050**



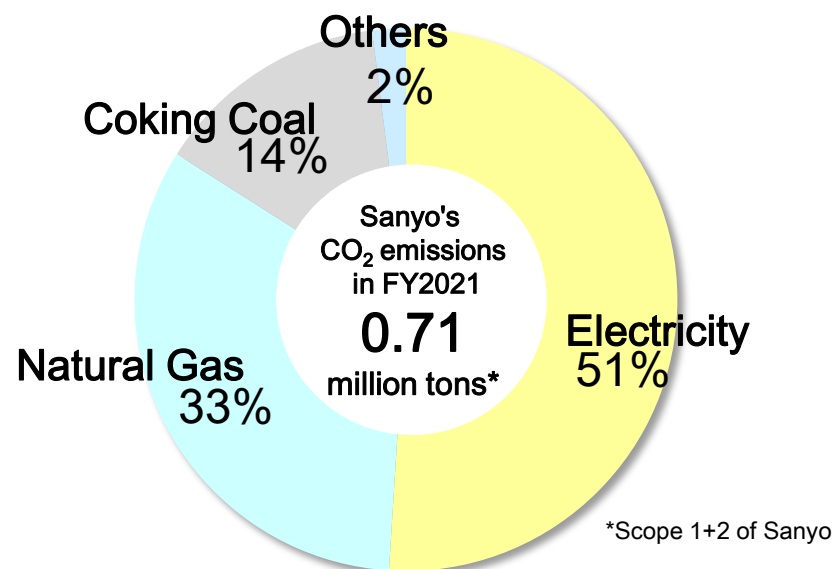
# Basic Consideration to Carbon Neutrality

## Amount of CO<sub>2</sub> emissions in FY2020



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."

## Endorsement of the GX League basic concept

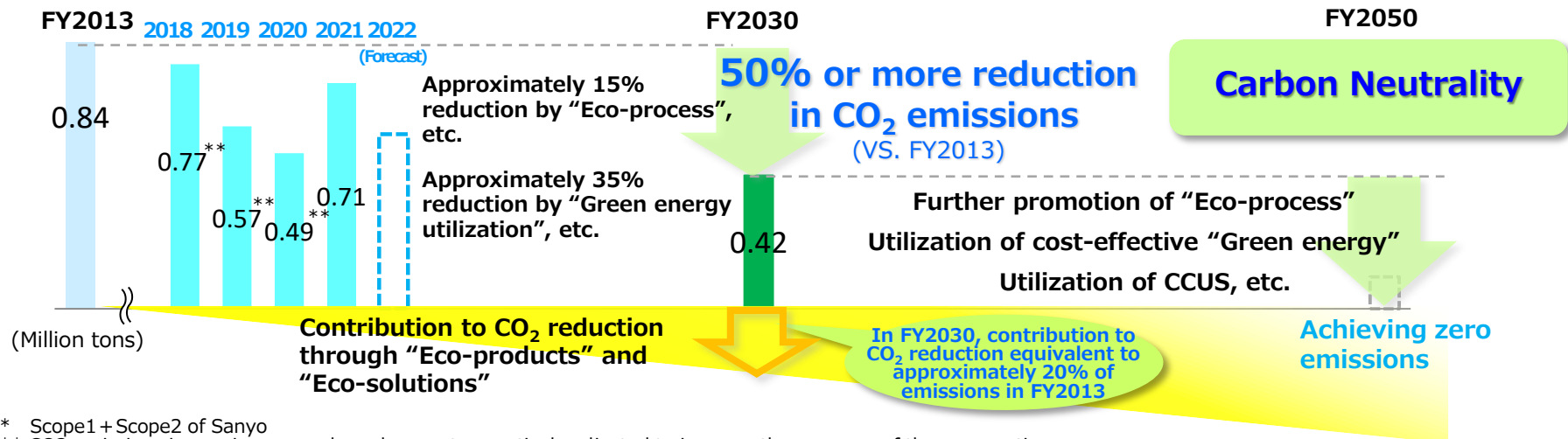
GX League was established as a forum for discussion on the transformation of the entire economic and social system and practice for the creation of new markets, together with players trying for the GX (Green Transformation) towards the realization of carbon neutrality in 2050.

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

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



\* Scope1 + Scope2 of Sanyo

\*\* CO<sub>2</sub> 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 CO<sub>2</sub> emissions in the supply chain and final usage

## Eco-solutions



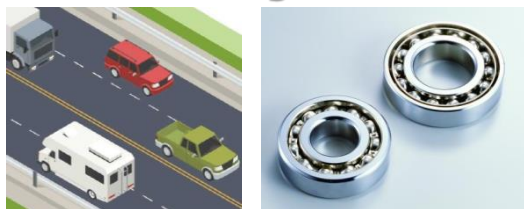
Sharing technologies among group members

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

## 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 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

### Fossil-free hydrogen initiative

#### 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**

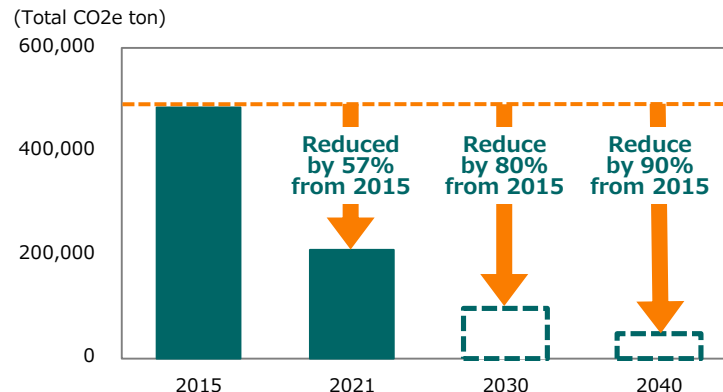
OVAKO has achieved carbon neutral in production by utilizing carbon offset program

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

#### Collaboration with customers

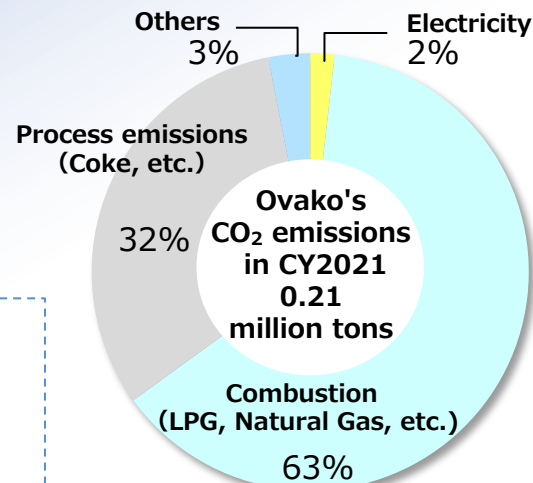
- SKF has produced bearings with 90% less carbon emission than its standard, using OVAKO's high quality bearing steel.
- Ovako has participated in Volvo's climate-neutral car project.

## Ovako's Roadmap: CO2 emissions, scope 1&2



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2021

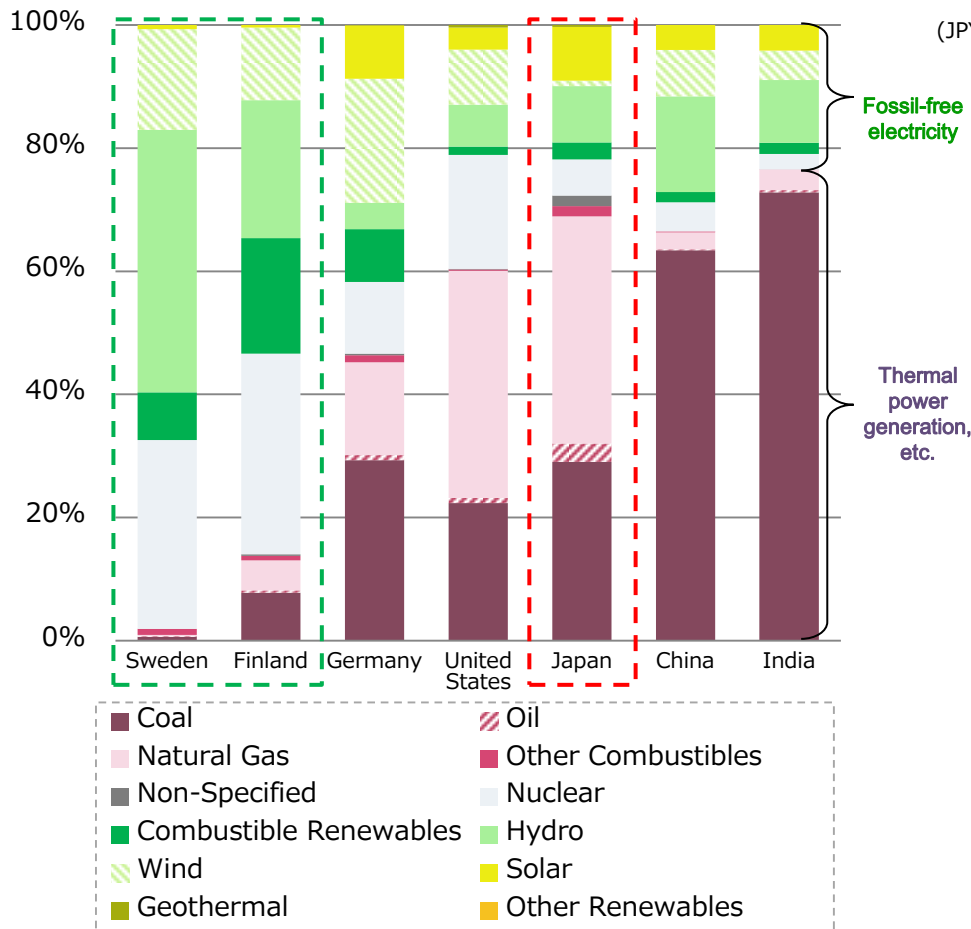
## Breakdown of OVAKO's CO2 emissions



# Electricity Mix and Prices of major Countries

## ■ Electricity mix as of 2021

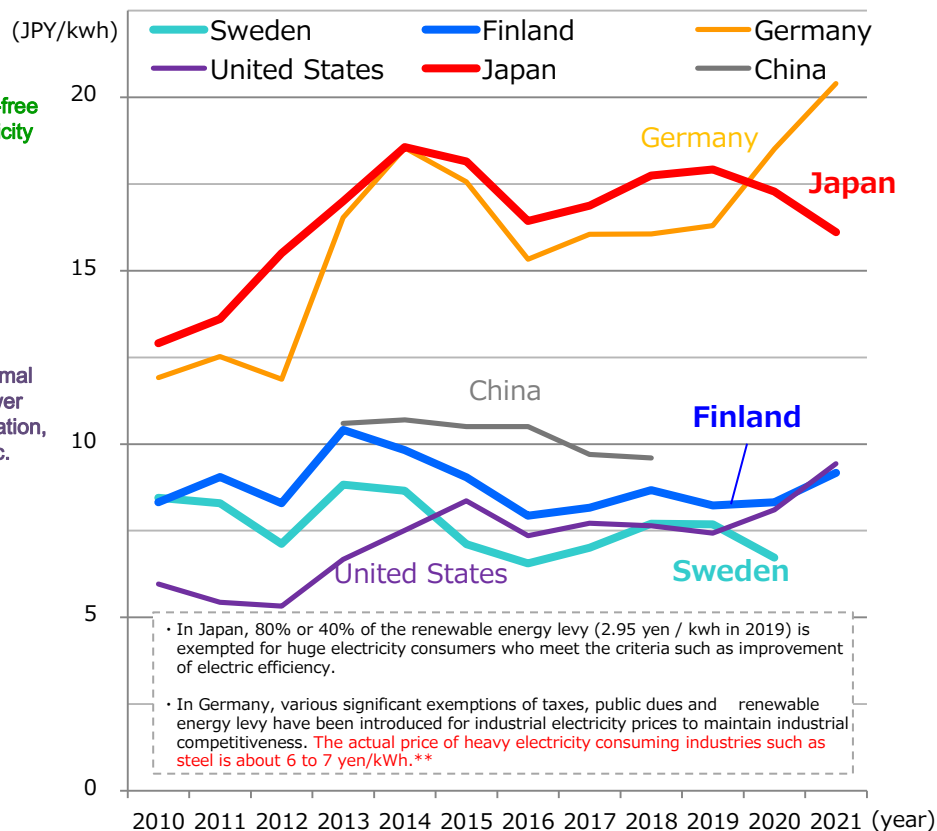
The ratio of carbon free electricity (hydropower, wind power, nuclear power) in Sweden and Finland, where OVAKO's production sites are located, is overwhelmingly high compared to other nations.



\*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.

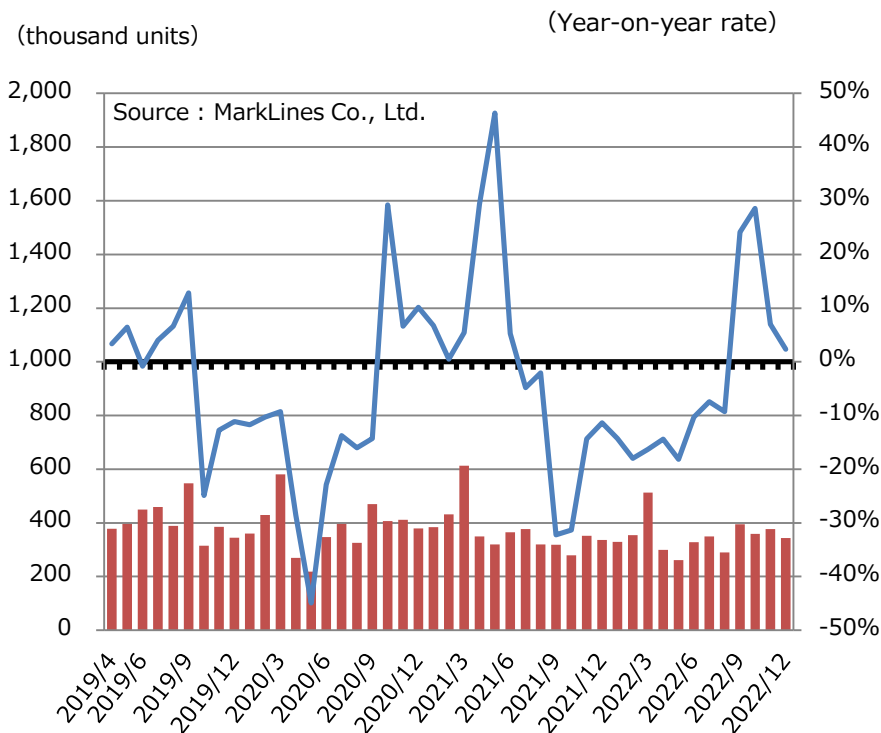
\* In Germany, various significant exemptions of taxes, public dues and renewable energy levy have been introduced for industrial electricity prices to maintain industrial competitiveness. The actual price of heavy electricity consuming industries such as steel is about 6 to 7 yen/kWh.\*\*

\*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)

## **5. Reference**

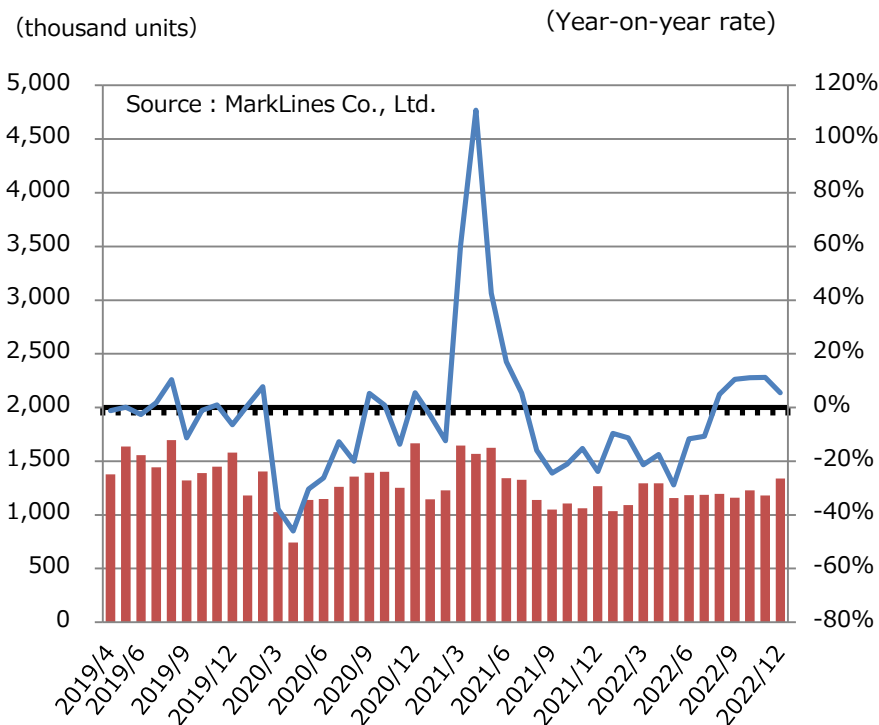
# Trends in Automobile Market

## 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
- 2022/12 ; +2.4% on YoY basis

## Units of automobile sales in U.S.

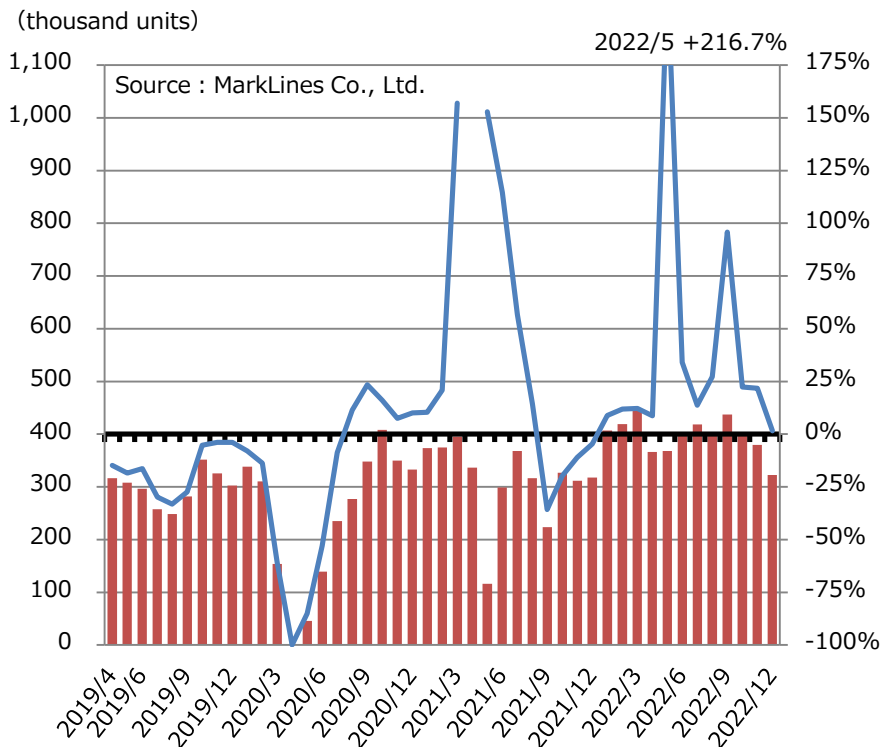


- 2020/4 ~ ; bottomed out and easing decline of sales due to COVID-19 impact
- 2021/4 ; +108.6% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2022/12 ; +5.5% on YoY basis

# Trends in Automobile Market

## Units of automobile sales in India

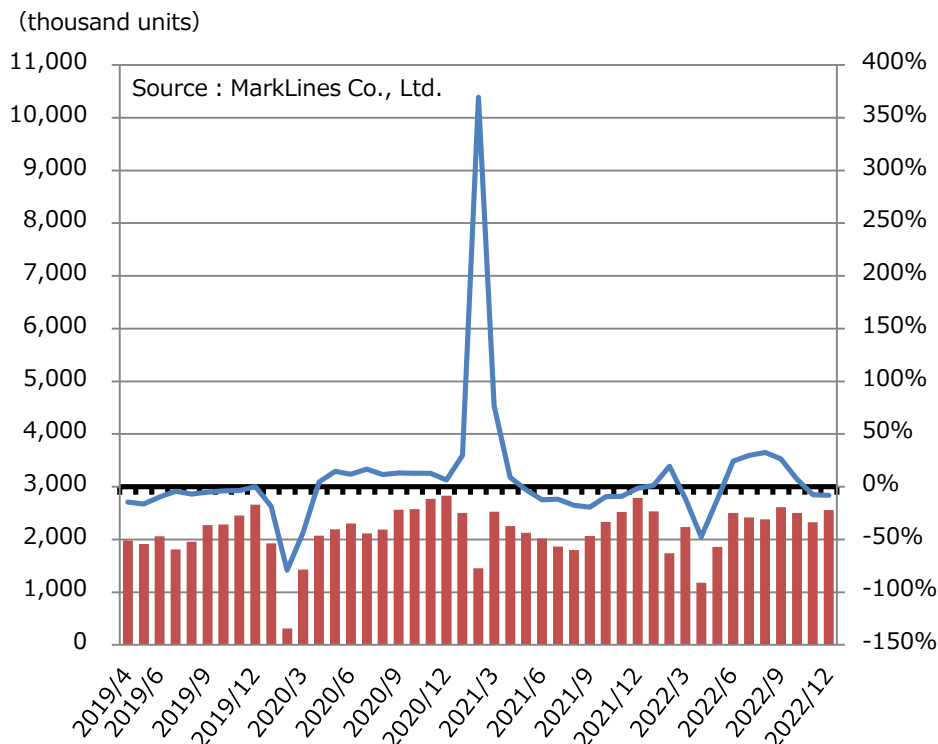
(Year-on-year rate)



- 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
- 2022/12 ; +1.5% on YoY basis

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

(Year-on-year rate)

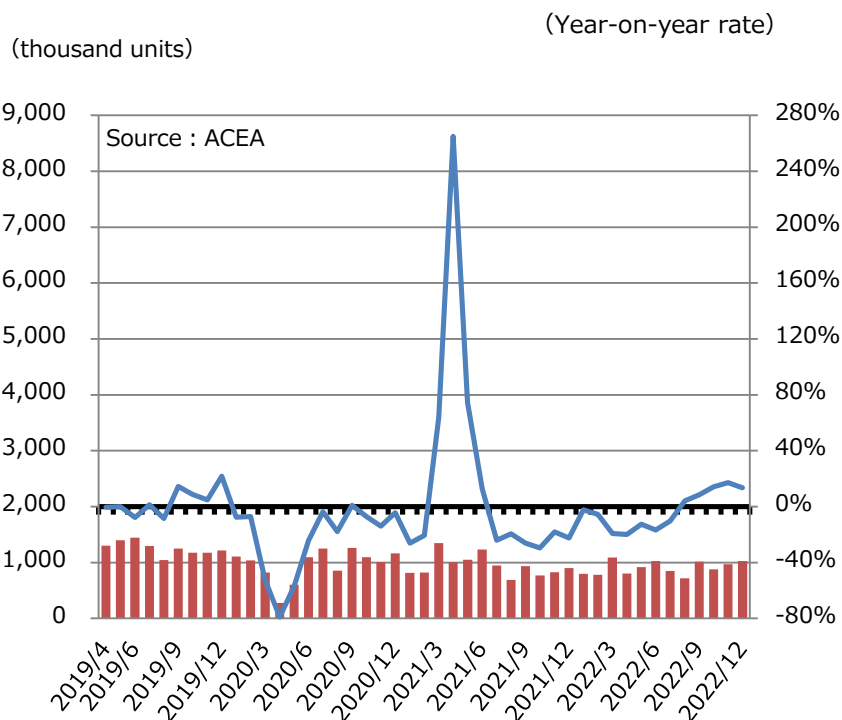


- 2020/2~ ; bottomed out and easing decline of sales due to COVID-19 impact
- 2021/6 ; -12.4% on YoY basis because of decrease in automobile productions due to a short supply of semiconductors
- 2022/4 ; -47.6% on YoY basis because of re-expansion of COVID-19
- 2022/12 ; -8.2% on YoY basis



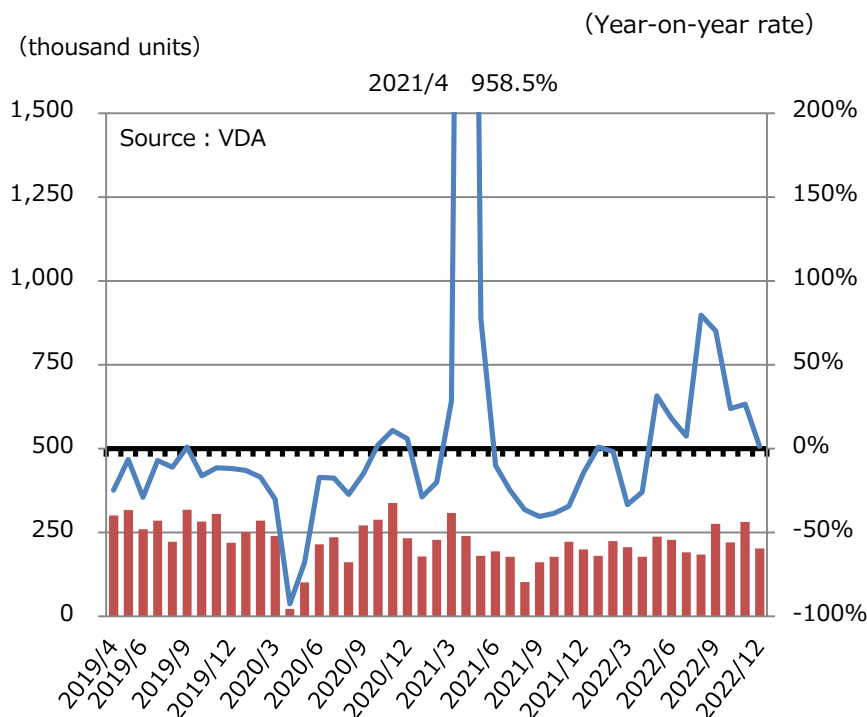
# Trends in Automobile Market

## 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
- 2022/12 ; +13.5% on YoY basis

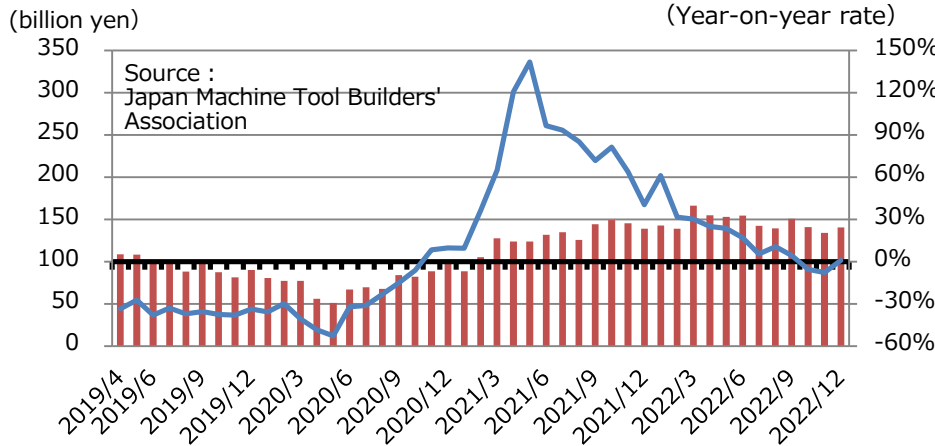
## Units of automobile export from Germany



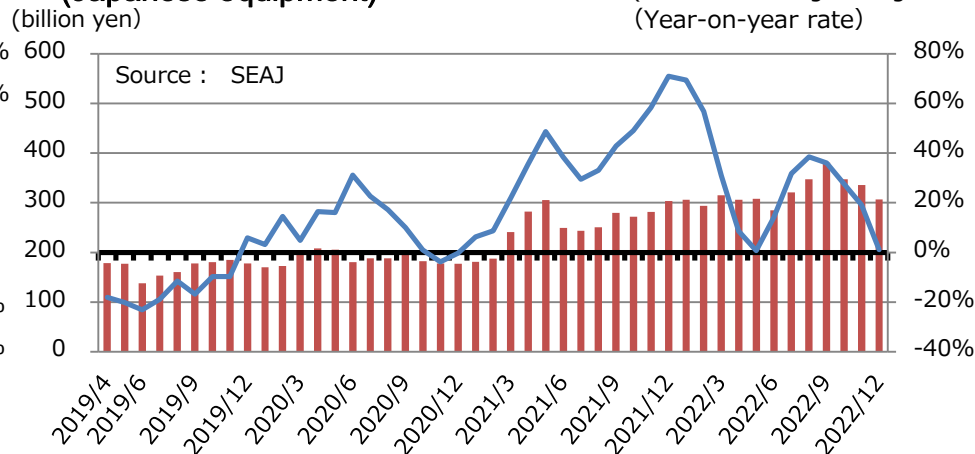
- 2020/4 ~ ; bottomed out and easing decline of export due to COVID-19 impact
- 2021/4 ; +958.5% on YoY basis because of the significant decline of 2020/4 due to COVID-19 impact
- some effects of recent prolonged reduction of auto production and inventory changes in the supply chain have emerged
- 2022/12 ; +1.3% on YoY basis

# Trends in Industrial Machinery and Construction Machinery Market

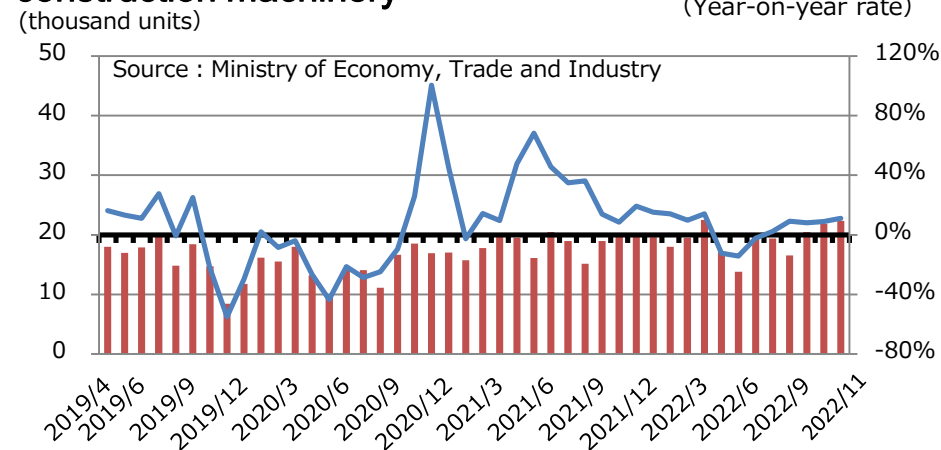
## Sales amount of machine tool orders(Japan)



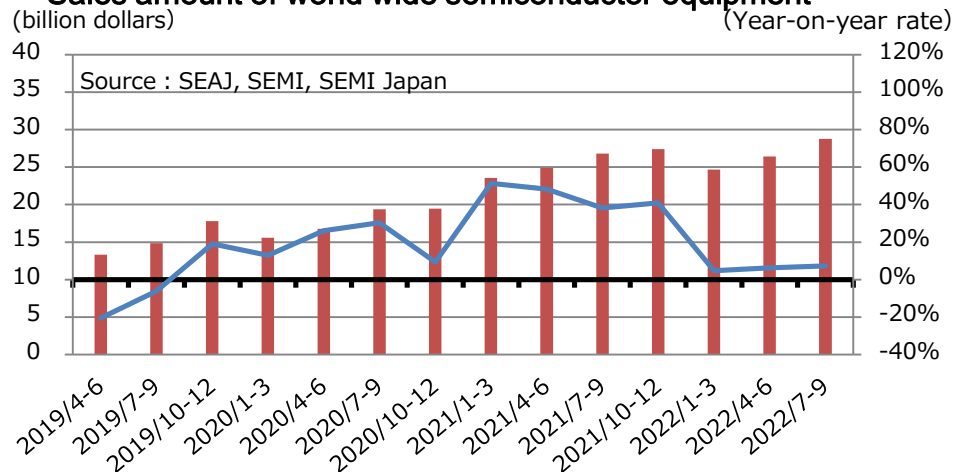
## Sales amount of semiconductor manufacturing equipment (Japanese equipment)



## 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  
2022/12 ; +1.0% 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 & 2022/12 ; +1.1% on YoY basis

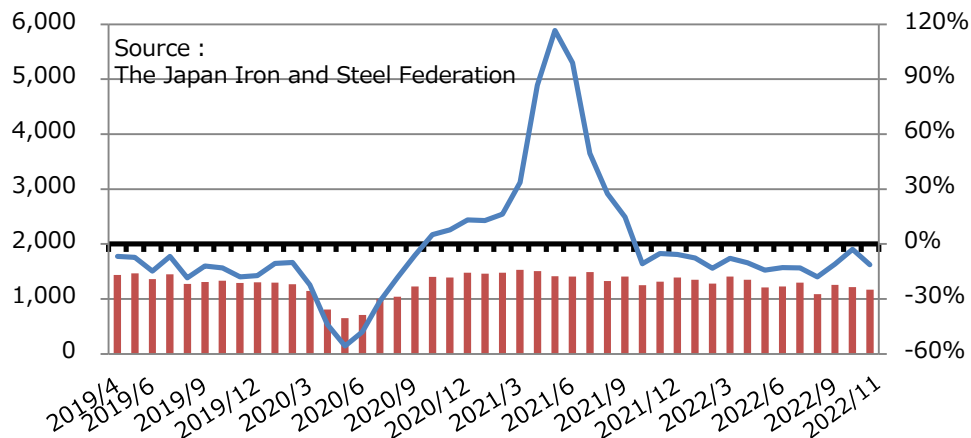
**Construction machinery** 2020/2~ continuous drop due to COVID-19 impact & 2020/10~; recovery of demand in China and Europe  
& 2022/11 ; +11.0% on YoY basis

# Trends in Special Steel Market

## Volume of order booked (Specialty steel products)

(thousand tons)

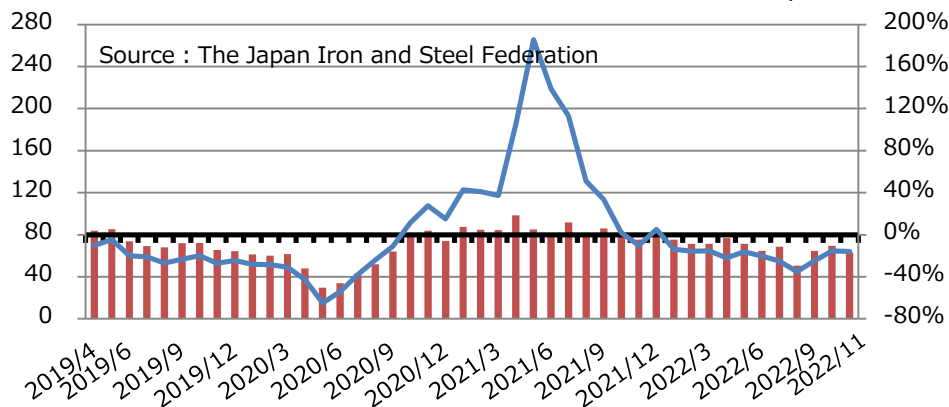
(Year-on-year rate)



## Volume of order booked (Bearing steel products)

(thousand tons)

(Year-on-year rate)

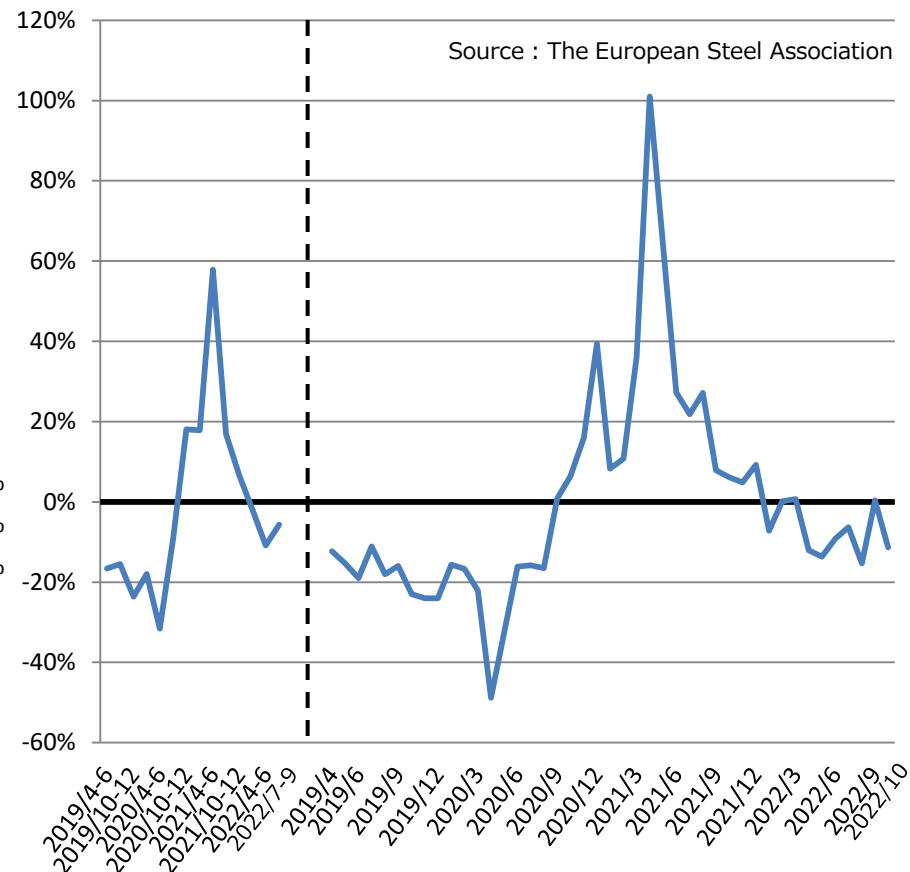


### Bearing steel

- 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
- 2022/11 ; -16.0% on YoY basis

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

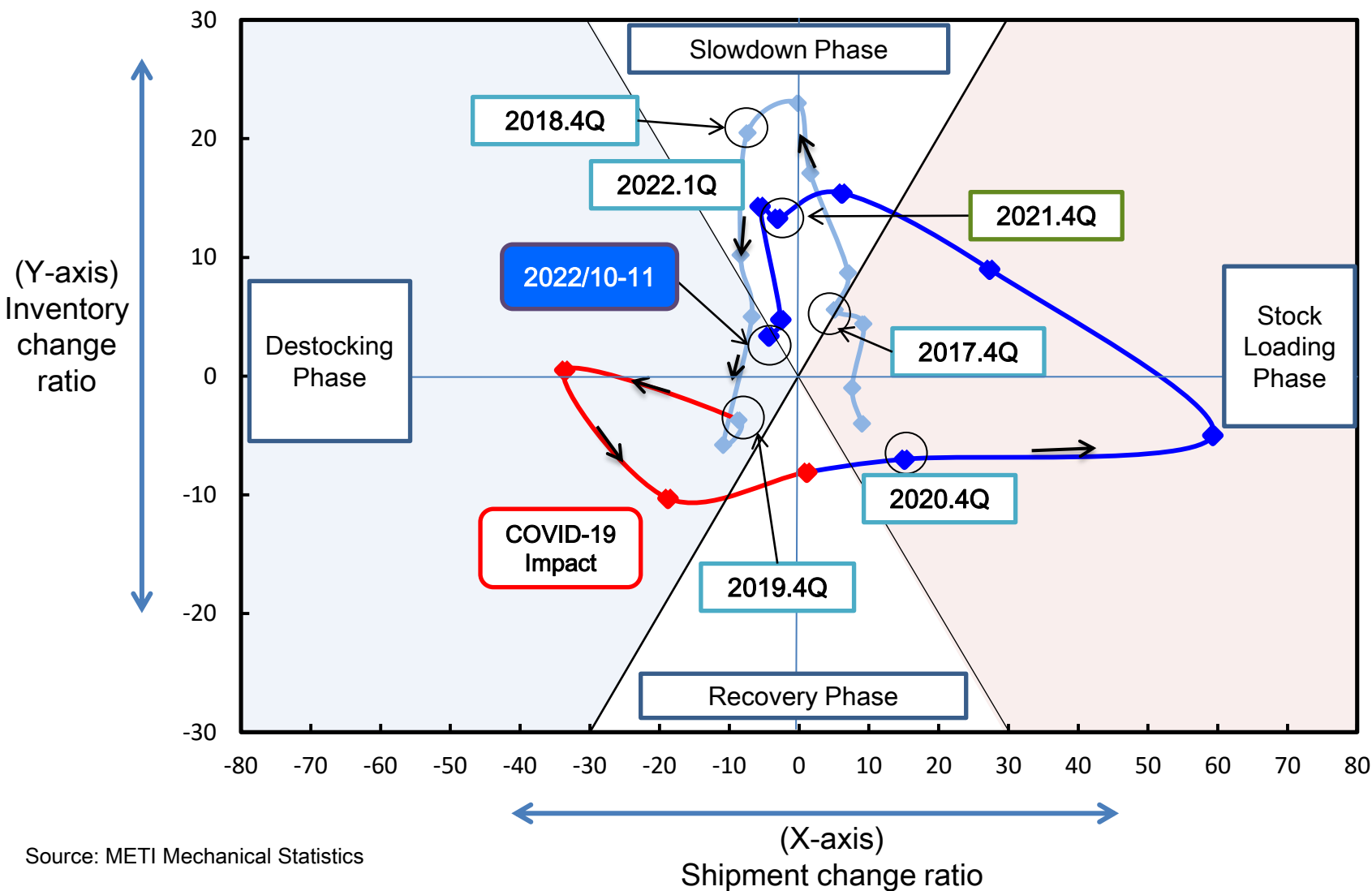
(Year-on-year rate)



### 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

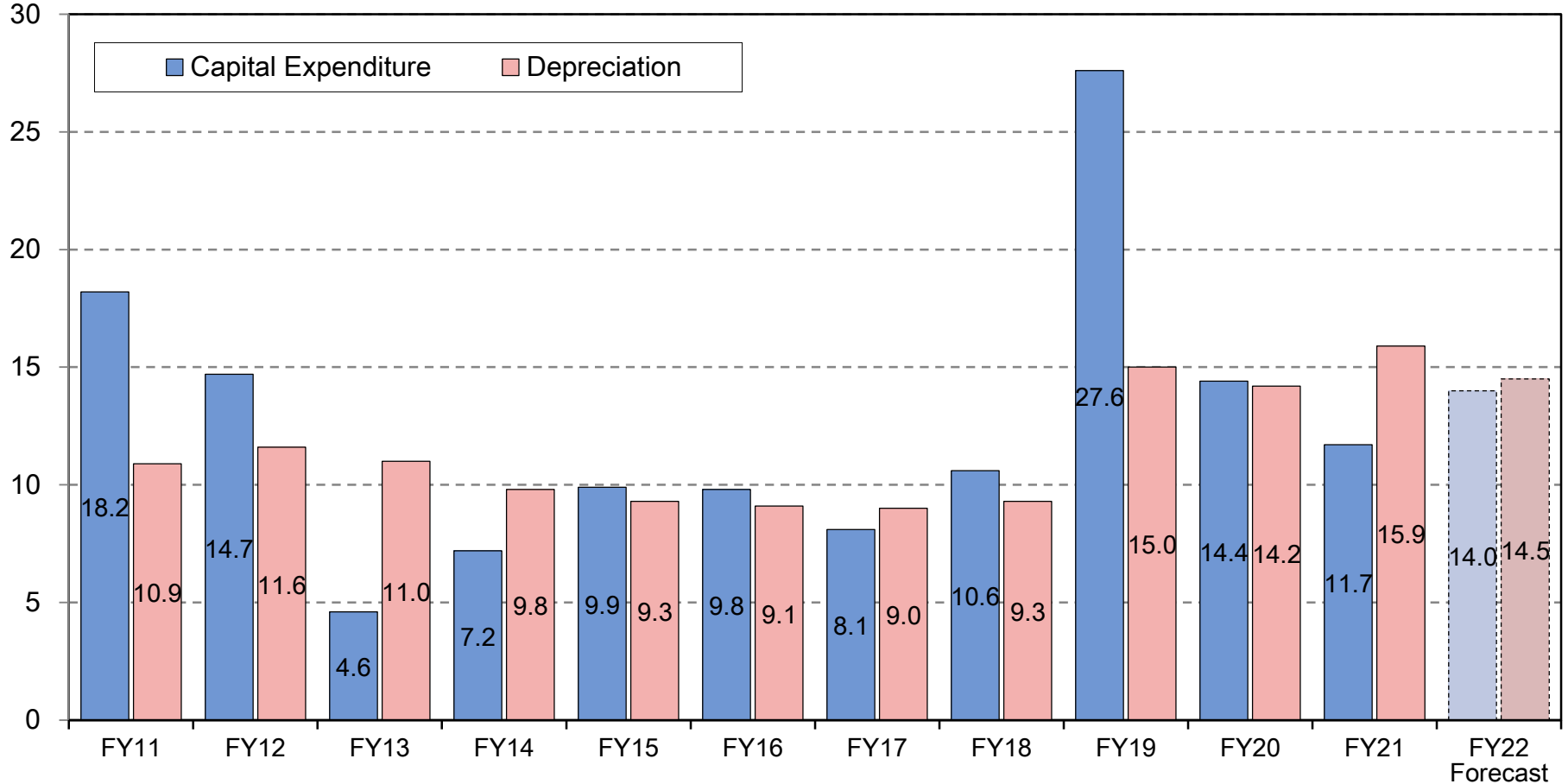
# Inventory Circulation Diagram (Bearing Products)



Source: METI Mechanical Statistics

# Capital Expenditure and Depreciation

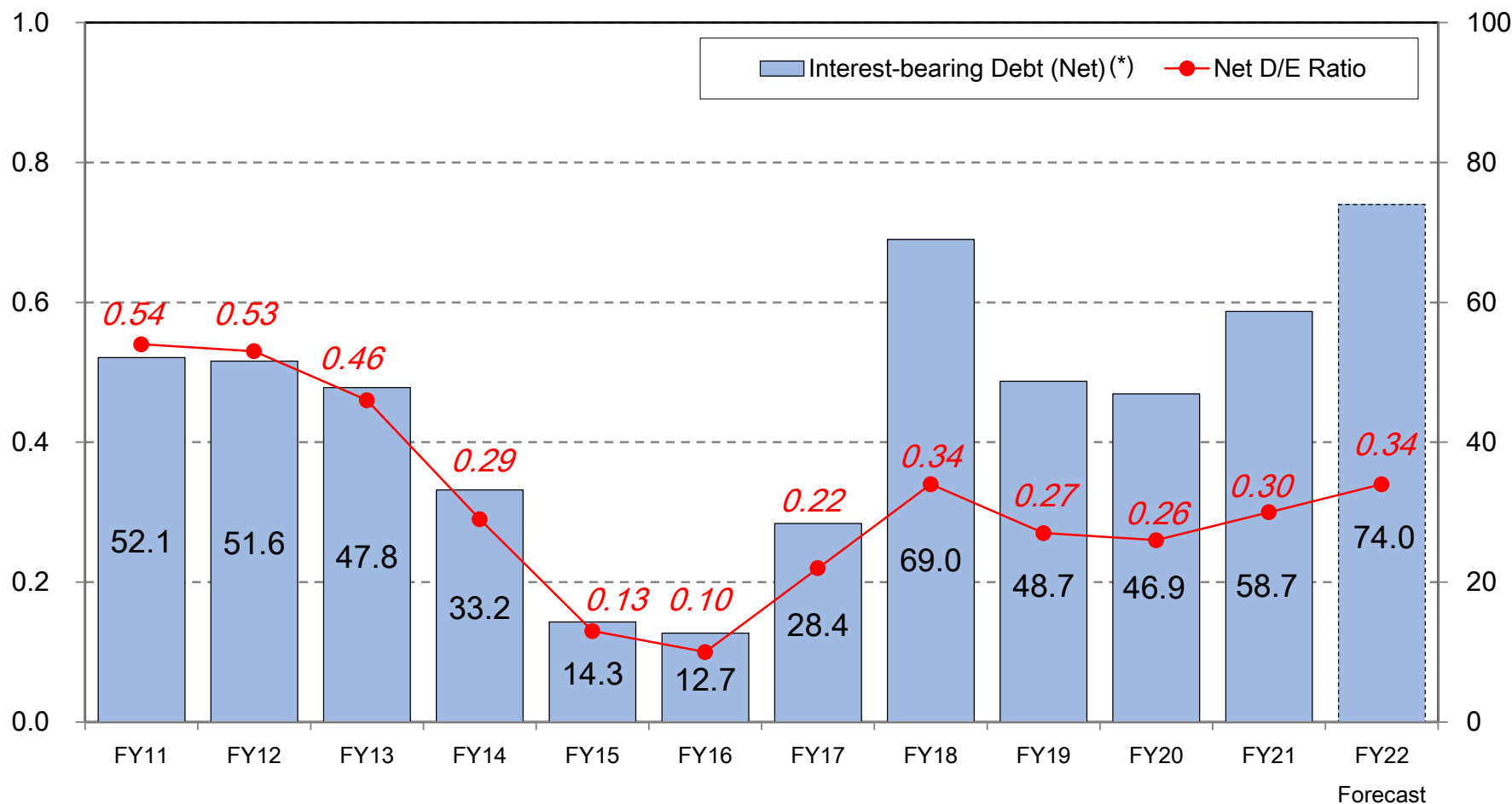
(Billion yen)



# 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)

# Details of Statements of Income

(FY22/1~3Q vs. FY21/1~3Q)

Reference

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

	FY22/1~3Q (A)	FY21/1~3Q (B)	Change (B) → (A)	
			Amount	Ratio (%)
Sales Volume	1,210	1,542	-331	-21.5
(Sanyo)	681	763	-82	-10.7
(OVAKO)	451	691	-240	-34.8
(SSMI)	78	88	-9	-10.8
Net Sales	294.4	269.3	+25.1	+9.3
(Sanyo)	146.2	123.1	+23.1	+18.8
(OVAKO)	126.7	129.3	-2.6	-2.0
(SSMI)	15.8	12.3	+3.5	+28.2
Operating Income	20.4	14.4	+6.0	+41.8
(Sanyo)	7.9	6.9	+1.0	+14.7
(OVAKO)	13.9	8.9	+5.0	+55.8
(SSMI)	-0.1	0.6	-0.6	-
(Amortization of goodwill)	-2.2	-2.7	+0.5	-
Ordinary Income	20.7	14.5	+6.2	+42.3
(Sanyo)	9.5	7.5	+2.0	+26.4
(OVAKO)	13.9	8.6	+5.3	+61.2
(SSMI)	-0.4	0.3	-0.7	-
(Amortization of goodwill)	-2.2	-2.7	+0.5	-
Net Income <sup>*3</sup>	14.8	10.2	+4.6	+45.3
Earnings Per Share	270.9	186.4	+84.5	+45.3
Operating Income before amortization of goodwill	22.6	17.1	+5.5	+32.2
Ordinary Income before amortization of goodwill	22.9	17.2	+5.6	+32.7
Net Income before amortization of goodwill	16.9	12.9	+4.1	+31.8
Earnings Per Share before amortization of goodwill	310.9	235.8	+75.1	+31.8

\*1 The consolidated accounting periods for OVAKO including Amortization of goodwill are as follows, FY2022: 9 months(Apr. 2022 to Dec. 2022), FY2021 : 12 months (Jan. 2021 to Dec. 2021)

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

# Details of Statements of Income

(FY22 Revised Forecast vs. FY22 Previous Forecast)

Reference

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

	FY22/1H (A)	FY22/2H (B) Revised Forecast	FY22 (C)=(A)+(B)	FY22/2H Previous Forecast	FY22 (D) Previous Forecast	Change (D) → (C)
Sales Volume	812	773	1,585	787	1,599	-14
(Sanyo)	458	437	894	423	881	+13
(OVAKO)	303	283	586	300	603	-17
(SSMI)	51	54	105	64	115	-10
Net Sales	195.4	191.6	387.0	189.6	385.0	+2.0
(Sanyo)	96.5	96.5	193.0	92.5	189.0	+4.0
(OVAKO)	85.7	77.3	163.0	77.3	163.0	-
(SSMI)	9.9	11.7	21.6	14.3	24.2	-2.6
Operating Income	13.2	8.8	22.0	6.4	19.6	+2.4
(Sanyo)	5.3	3.7	9.0	3.5	8.8	+0.2
(OVAKO)	8.8	5.3	14.1	3.3	12.1	+2.0
(SSMI)	-0.1	0.2	0.2	0.4	0.4	-0.2
(Amortization of goodwill)	-1.4	-1.5	-2.9	-1.4	-2.9	-
Ordinary Income	13.7	8.3	22.0	6.3	20.0	+2.0
(Sanyo)	7.0	3.5	10.5	3.5	10.5	-
(OVAKO)	8.9	5.1	14.0	3.1	12.0	+2.0
(SSMI)	-0.2	0.0	-0.2	0.2	0.0	-0.2
(Amortization of goodwill)	-1.4	-1.5	-2.9	-1.4	-2.9	-
Net Income <sup>*2</sup>	9.9	6.1	16.0	4.7	14.6	+1.4
Earnings Per Share	181.2		293.7		268.0	+25.7
Operating Income before amortization of goodwill	14.6	10.3	24.9	7.8	22.5	+2.4
Ordinary Income before amortization of goodwill	15.2	9.8	24.9	7.7	22.9	+2.0
Net Income before amortization of goodwill	11.3	7.6	18.9	6.2	17.5	+1.4
Earnings Per Share before amortization of goodwill	207.5		346.9		321.2	+25.7

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

\*2 Profit attributable to owners of parent



# Details of Statements of Income

(FY22 Revised Forecast vs. FY21)

Reference

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

	FY22/1H (A)	FY22/2H (B) Revised Forecast	FY22 (C)=(A)+(B)	FY21 (D)	Change (D) → (C)
Sales Volume	812	773	1,585	1,995	-410
(Sanyo)	458	437	894	1,002	-108
(OVAKO)	303	283	586	873	-287
(SSMI)	51	54	105	119	-14
Net Sales	195.4	191.6	387.0	363.3	+23.7
(Sanyo)	96.5	96.5	193.0	168.8	+24.2
(OVAKO)	85.7	77.3	163.0	170.9	-7.9
(SSMI)	9.9	11.7	21.6	17.3	+4.3
Operating Income	13.2	8.8	22.0	21.4	+0.6
(Sanyo)	5.3	3.7	9.0	9.2	-0.2
(OVAKO)	8.8	5.3	14.1	13.8	+0.3
(SSMI)	-0.1	0.2	0.2	0.7	-0.5
(Amortization of goodwill)	-1.4	-1.5	-2.9	-3.4	+0.5
Ordinary Income	13.7	8.3	22.0	21.7	+0.3
(Sanyo)	7.0	3.5	10.5	9.9	+0.6
(OVAKO)	8.9	5.1	14.0	13.4	+0.6
(SSMI)	-0.2	0.0	-0.2	0.4	-0.6
(Amortization of goodwill)	-1.4	-1.5	-2.9	-3.4	+0.5
Net Income <sup>*3</sup>	9.9	6.1	16.0	15.3	+0.7
Earnings Per Share	181.2		293.7	280.2	+13.5
Operating Income before amortization of goodwill	14.6	10.3	24.9	24.8	+0.1
Ordinary Income before amortization of goodwill	15.2	9.8	24.9	25.0	-0.1
Net Income before amortization of goodwill	11.3	7.6	18.9	18.6	+0.3
Earnings Per Share before amortization of goodwill	207.5		346.9	342.1	+4.7

\*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)

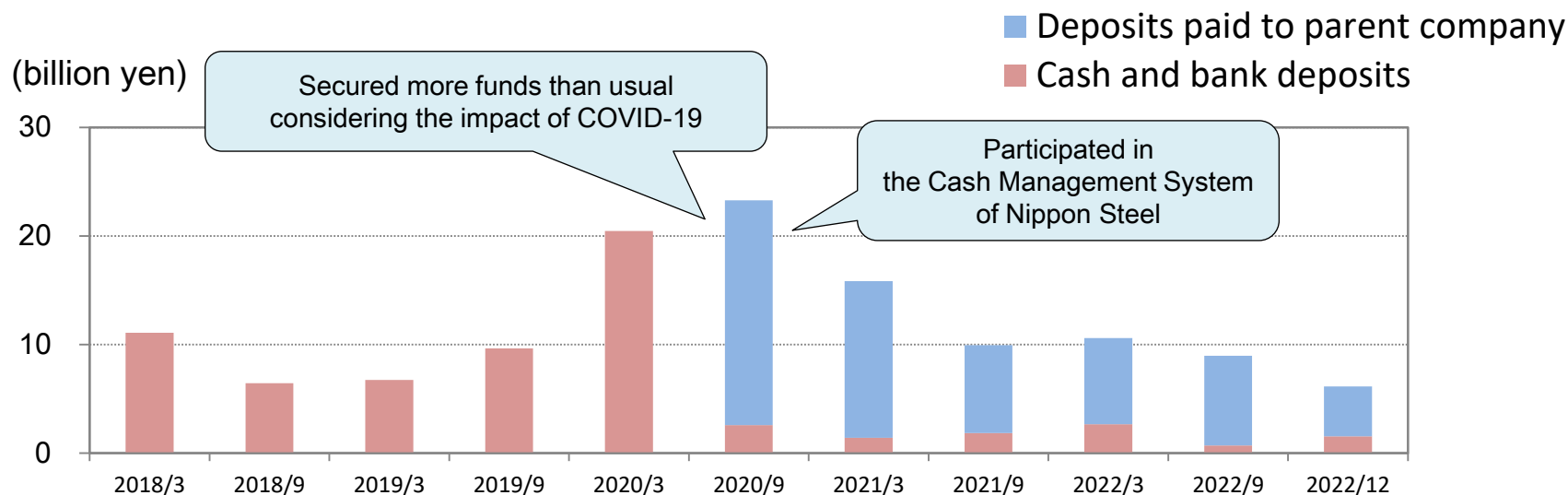
\*2 The consolidated accounting period for SSMI is Jan. to Dec.

\*3 Profit attributable to owners of parent

# 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



### (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.