

# Revision of 2025 Mid-Term Management Plan

**July 28, 2023**

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

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



Santo-kun  
(Our mascot)

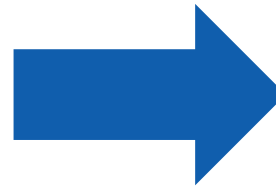
# Outline of Mid-Term Management Plan

## Business Environment

✓ **Resource price inflation**  
(decoupled from steel supply and demand cycle)

✓ **Carbon Neutrality**

✓ **Intensifying human resource constraints**



## Five Core Pillars

**Further enhance corporate value and global presence**

**Reinforce profitability of all global operations**

**Strengthen ESG Initiatives**

**Achieve carbon neutrality by FY2050**

**Promote DX**

# Financial Targets and Investment of Resources

## Financial Targets

**Net sales**

FY2025 Target  
Approx. 420 billion yen

Original plan  
Approx. 280 billion yen

**Ordinary income**

Approx. 22 billion yen

Approx. 14 billion yen

**ROE**

Approx. 7%

Approx. 5%

**ROE** (excluding goodwill amortization)

Approx. 8%

Approx. 6%

## Investment of Resources

**CAPEX** (FY2023 - FY2025)

Approx. 16 billion yen/year

Approx. 12 billion yen/year

**Number of employees**  
(End of FY2025)

Approx. 6,500

Approx. 6,400

# Reinforce Global Business Foundation

## Enhance Resource Investment

**CAPEX: Approx. 16 billion yen/year** (← Original plan: Approx. 12 billion yen/year)

**Number of employees: Approx. 6,500** (← Original plan: Approx. 6,400)

Proactive investments with focus on carbon neutrality (including energy saving) and DX.  
Securing necessary human capital globally.

## Reinforce Profitability

**Consolidated ordinary income: 22 billion yen** (← original plan: 14 billion yen)

**Consolidated ROE 8% (excluding goodwill amortization)** (← Original plan: 6%)

Encountering volatile demand trends and sustained cost push, we will continuously: a) amend sales price flexibly based on value-in-use, b) expand and enhance surcharge system; and c) upgrade sales mix.

Taking advantage of our progressive technology, we will firmly capture demand in the fields of "EV" "wind power generation" "high-speed railroad" and "hydrogen society".

## Strengthen global business foundation and further enhance corporate value and presence

Sanyo (non-consolidated) will strengthen marketing competence responding to market segments and secure appropriate margins. OVAKO will continue reinforcing profit structure by optimizing cost and leveraging carbon neutrality advantage.

SSMI will expand presence in the growing Indian market by promoting cost improvement in procurement etc. and strengthening marketing competence through exploiting technical advantage.

Formed and fabricated materials business will further pursue profit growth by utilizing its global network.

Metal powder business will secure growth in highly profitable and advanced areas of 3D printers, semiconductor, DX and CN.

Sanyo group will explore growth opportunities globally to further enhance corporate value and presence.

# Reflect ESG Indicators in Executive Compensation

## Original

- Consolidated ordinary income
- Short-term performance incentives
- Medium-to-long-term performance incentives
- ROE

Five additional indicators



## From July 2023

- CDP score
- Health management rating
- Safety indicators
- Ratio of female managers
- Board effectiveness appraisal by outside directors

## Promote diversity

### ■ Further promote female managers

Ratio of female managers: 5.3% (end of FY2022) → 6.3% (end of FY2025) cf. industry average approx. 2%

### ■ Improve work-life balance

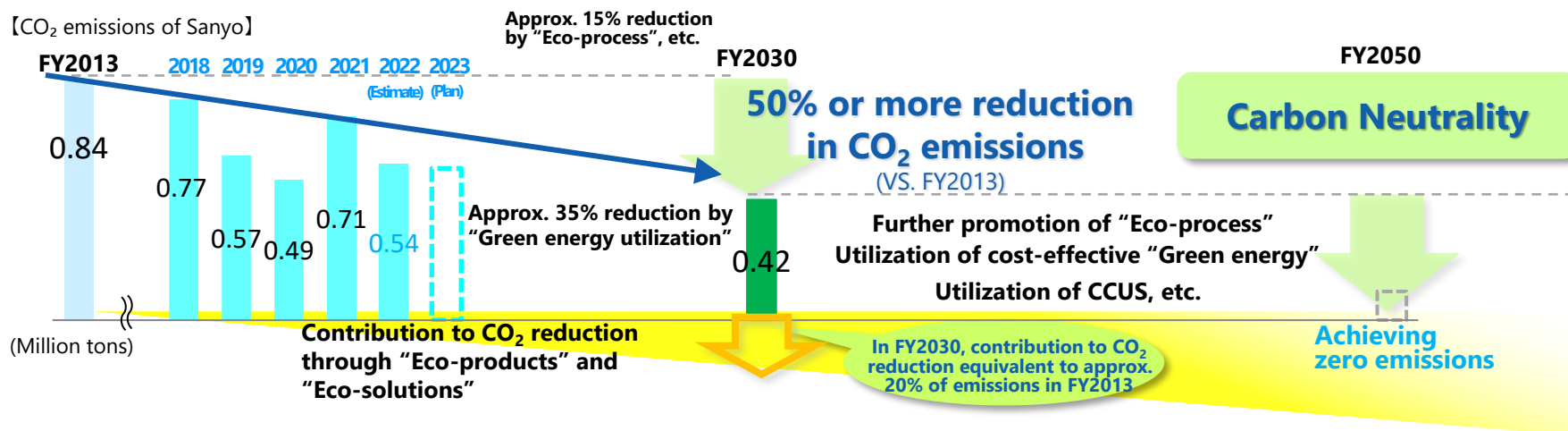
Usage rate of childcare leave: 80% or more for women, 50% or more for men (by FY2025 end)

### ■ Promote health management

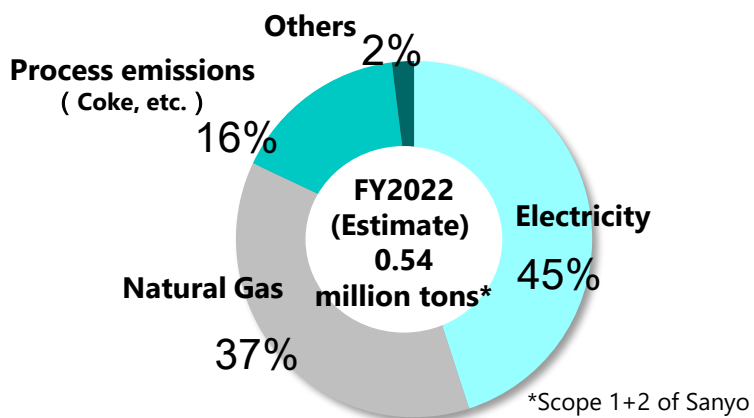
Aiming "White Top 500 company\*"

\*Top 500 companies promoting health and productivity, certified by the Ministry of Economy, Trade and Industry

# Sanyo's Roadmap to Carbon Neutrality



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



### Eco-process

\*Introduction of Internal carbon pricing from FY2023.

### Green energy utilization

\*Commencement of renewable energy sources utilization from FY2022.

### Eco-products

\*ECOMAX<sup>®</sup> series, TOUGHFIT<sup>™</sup>, etc.

### Eco-solutions

\*OVAKO: Inauguration of fossil-free hydrogen electrolyzer plant in FY2023

# OVAKO's Roadmap to Carbon Neutrality

First in the world to heat steel using hydrogen

Decision to introduce Fossil-free hydrogen electrolyzer plant

**Carbon neutral in production from January 2022**

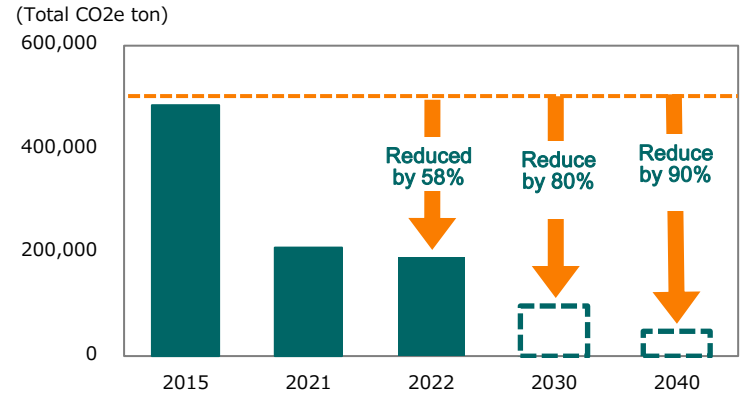
- ✓OVAKO has utilized carbon offset program to become carbon neutral.
- ✓OVAKO has applied climate surcharge to all customers.

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

**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.

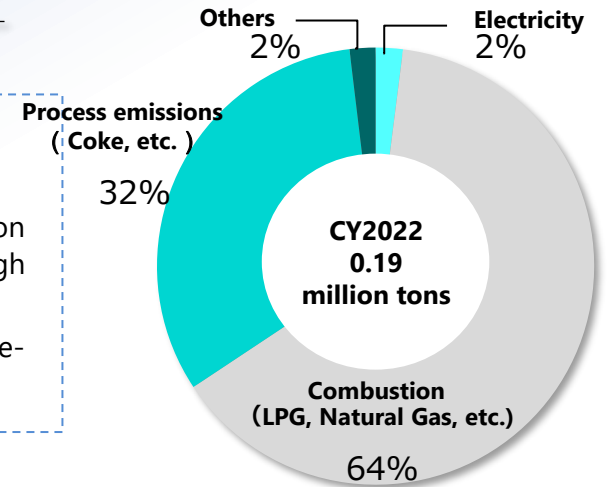
OVAKO's Roadmap: CO<sub>2</sub> emissions, scope 1&2



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2022

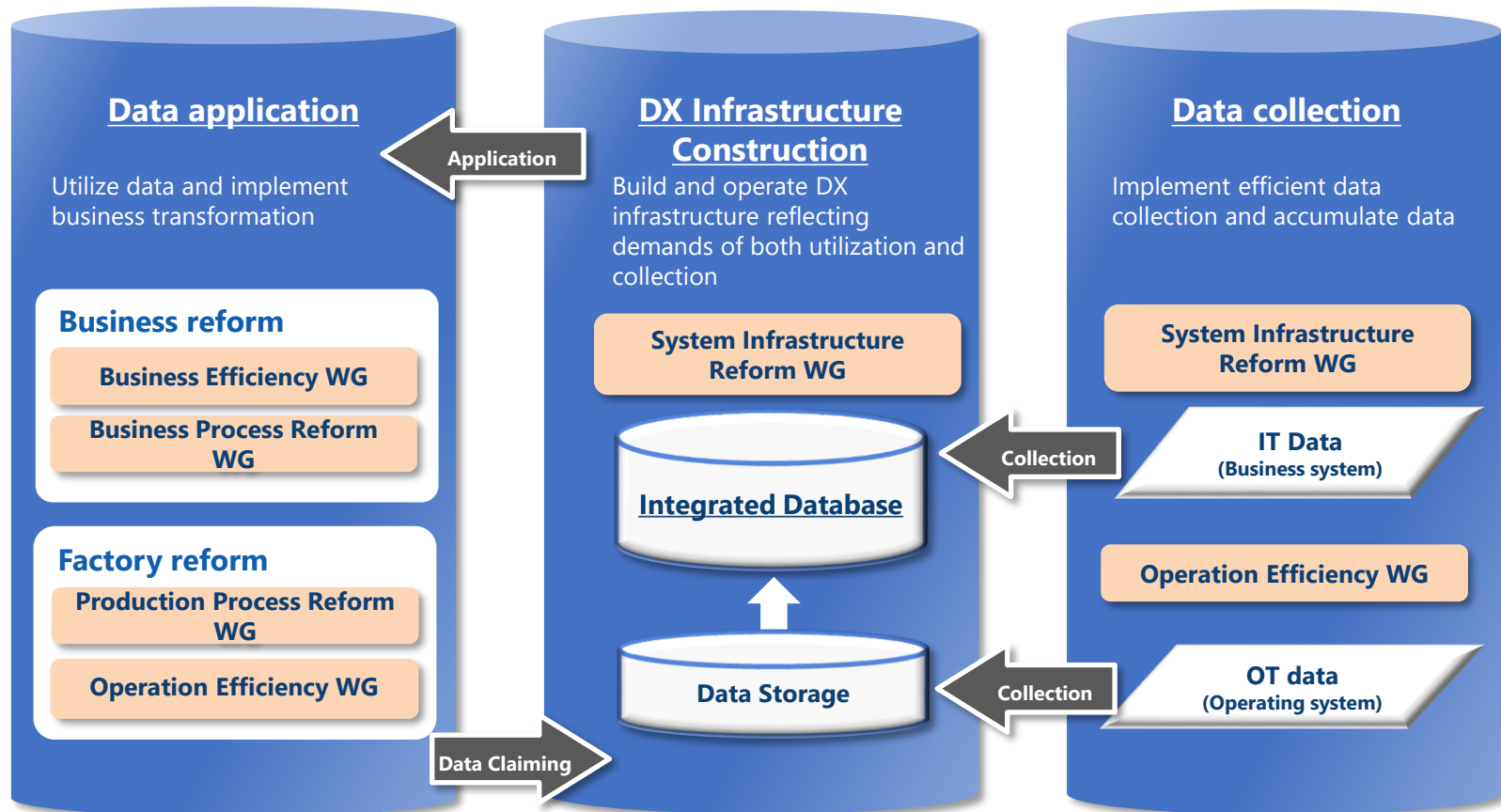
Top CO<sub>2</sub> emission intensity in the industry even before offsetting

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



# Conceptual Diagram of DX (Three Core Pillars)

<Establish infrastructure for data utilization and transform business process and business model>





# DX Roadmap

Establish infrastructure corresponding to changes in business environment and society  
Reinforce corporate competitiveness

## Transform into Digital Company

- Establish sophisticated business foundation
- Enhance corporate value

STEP  
3  
~2030

## Expand application of digital technology

- Improve efficiency of operation and production
- Transform business process and business model

STEP  
2  
~2027

## Establish integrated information infrastructure

- Establish integrated database
- Visualize and "real-time" data

STEP  
1  
~2025

# Details of Financial Targets

Net sales of 420 billion yen, ordinary income of 22 billion yen, and ROE (excluding goodwill amortization) of 8%, in FY2025

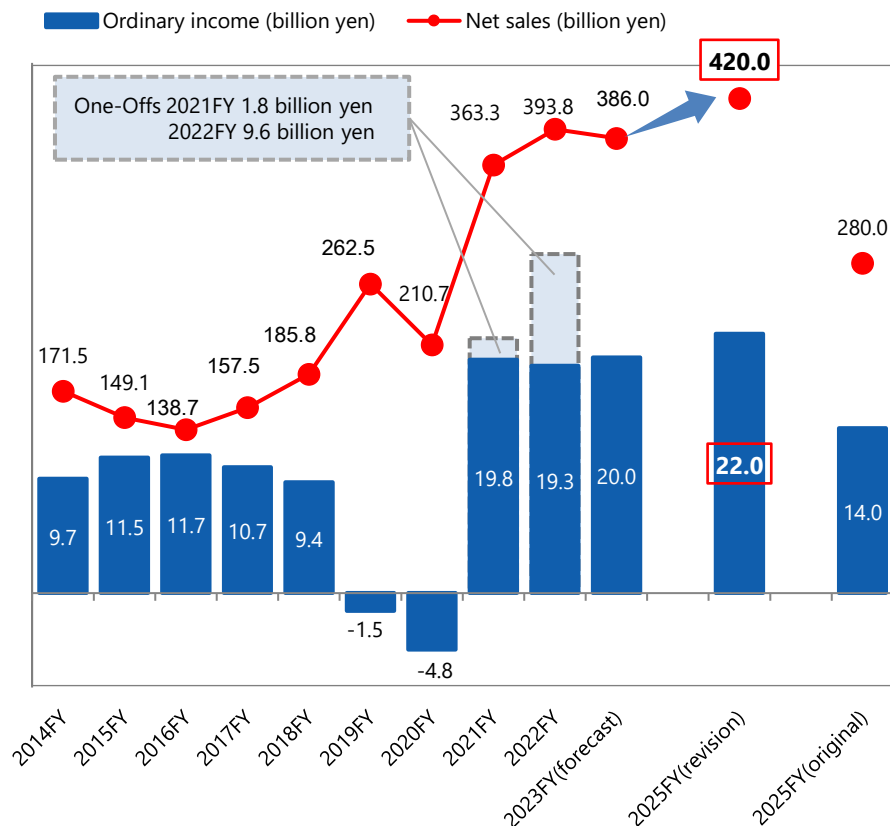
Further increase profit compared to FY2022 ordinary income (excluding one-offs of OVAKO) of 19.3 billion yen, and FY2023 forecast ordinary income of 20 billion yen.

( Unit : billion yen )

	FY2022	Plan for FY 2025	
		Original	Revision
<b>Sales volume(kt/month)</b>	<b>133.9</b>	<b>148.5</b>	<b>148.0</b>
Sanyo	74.5	75.0	80.0
OVAKO	50.7	60.0	55.0
SSMI	8.8	13.5	13.0
<b>Net sales</b>	<b>393.8</b>	<b>280.0</b>	<b>420.0</b>
<b>Ordinary income</b>	<b>*1 28.9</b>	<b>14.0[16.3]</b>	<b>22.0[25.0]</b>
Sanyo	10.2	9.0	14.0
OVAKO	21.1	6.0	11.0
SSMI	-0.2	0.4	2.0
<b>ROE</b>	<b>10% [12%]</b>	<b>5% [6%]</b>	<b>7% [8%]</b>

Figures [in parentheses] exclude goodwill amortization.

\*1 19.3 billion yen, excluding one-offs.



# Initiatives to achieve 1x PBR

**ROE**

×

**PER**

=

**PBR**

**Sustainable profit growth**  
Explore growth opportunities

**Target for FY2025**  
ROE (excl. goodwill amortization) **8%**  
(Cost of capital approx. 8%)

**Mutual sale of cross-shareholdings**



**Tradable share ratio increase**  
(β decrease)  
(improved from 37% at the end of FY2022)



**Reducing cost of capital**

**Seamless dialogue with investors**



**Securing appropriate evaluation for CN and ESG Initiatives**



**Reflection on stock price**

**Revision of Dividend Policy**

**Comprehensively considering;**  
**Dividend payout ratio (DPR):**  
**Approx. 35%**  
**DPR excluding goodwill amortization:**  
**Approx. 30%**  
**Actual dividend per share level**  
etc.

**Aiming for 1x PBR**  
(Recent PBR approx. 0.7x)

(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



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