

Overview of Business Results

for the 3rd Quarter of Fiscal Year Ending March 31, 2025

(April 2024 → December 2024)

January 31, 2025

SANYO SPECIAL STEEL Co., Ltd.

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



Santo-kun
(Our mascot)

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1. FY2024 3rd Quarter Results

Outline of Statements of Income

Ordinary Income : 3.2 billion yen (-5.9 billion yen against FY2023/1~3Q)

Revenue and profit declined due to lower sales volume and smaller positive one-off effects at OVAKO.

- Despite improvement in margin facilitated by sales price amendments to encounter rising outsourcing, logistics and labor costs, YOY revenue and profit decreased due to lower sales volume and diminished positive one-off effects at OVAKO.

(Unit: Billion yen)

	FY2024/1~3Q (A)		FY2023/1~3Q (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	247.0	100.0	269.0	100.0	-21.9	-8.2
Operating Income	3.8	1.5	8.8	3.3	-5.1	-57.3
Ordinary Income	3.2	ROS 1.3	9.1	ROS 3.4	-5.9	-65.0
(Sanyo)	8.0	6.5	7.6	5.5	+0.3	+4.6
(OVAKO)	0.8	0.8	6.1	5.7	-5.3	-87.5
(SSMI)	0.6	3.3	0.5	2.7	+0.1	+24.2
(Amortization of goodwill)	-2.6	—	-2.4	—	-0.2	—
Net Income^{*1}	1.2	0.5	6.3	2.3	-5.1	-80.4
Net Income before amortization of goodwill	3.8	1.5	8.7	3.2	-4.9	-56.4
Sales Volume (Thousand tons)	1,004 (per month)	111.5	1,092 (per month)	121.3	-88 (per month)	-9.8
(Sanyo)	556	61.8	629	69.9	-73	-8.2
(OVAKO)	365	40.5	376	41.8	-11	-1.3
(SSMI)	83	9.2	86	9.6	-3	-0.3

*1 Profit attributable to owners of parent

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

Business Environment

Demand Trends

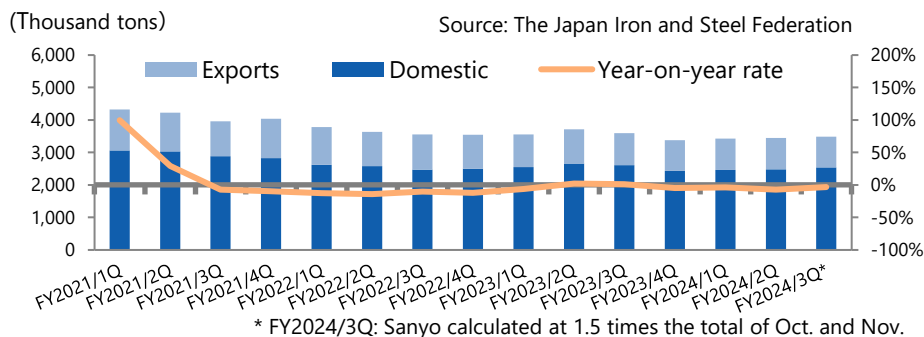
Japan : Demand from automotive sector is recovering after hitting bottom in FY2024/1Q, as effects of production and shipment halts have subsided. Though there are delays of recovery in some sectors, overall demand is expected to maintain a gradual upward course.

Europe : Demand remained sluggish due to relatively high interest rates and energy cost in Europe, and slower-than-expected economic recovery in China. Additional interest rate cuts are anticipated to stimulate demand recovery in the future.

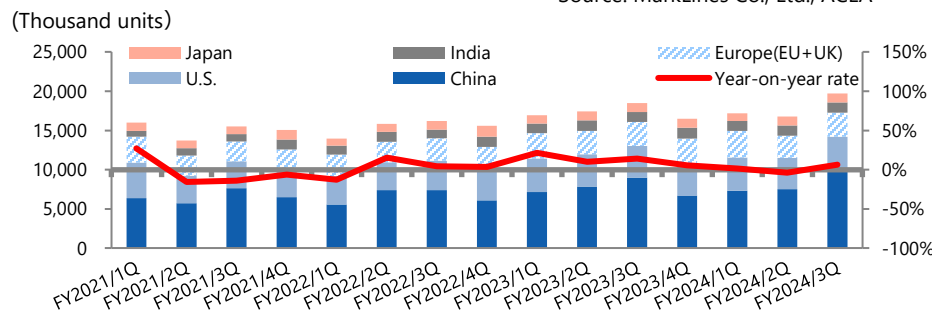
Raw Material and Fuel Prices

In FY2024, raw material and fuel prices are expected to decline on YOY basis although they would stay at historically high levels. Inflationary pressure on logistics and labor related costs will persist.

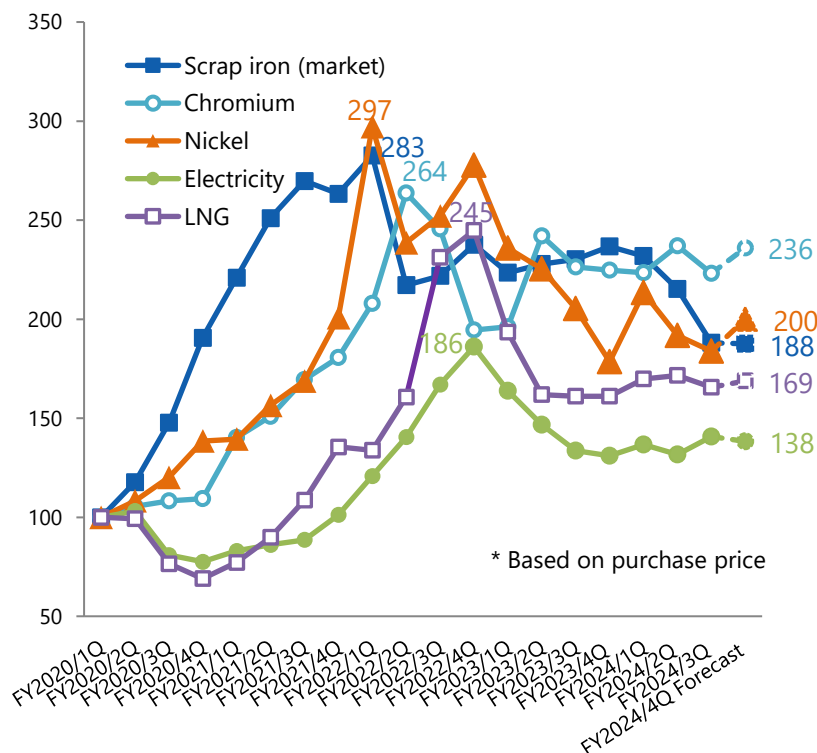
1. Volume of Order Booked (Specialty Steel Products)



2. Units of Automobile Sales



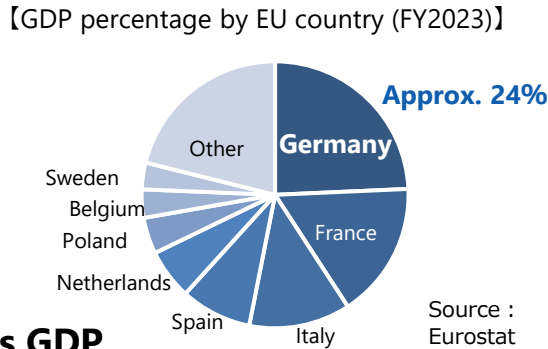
3. Raw Material and Fuel Prices (FY2020/1Q = 100)



Business Environment in Europe

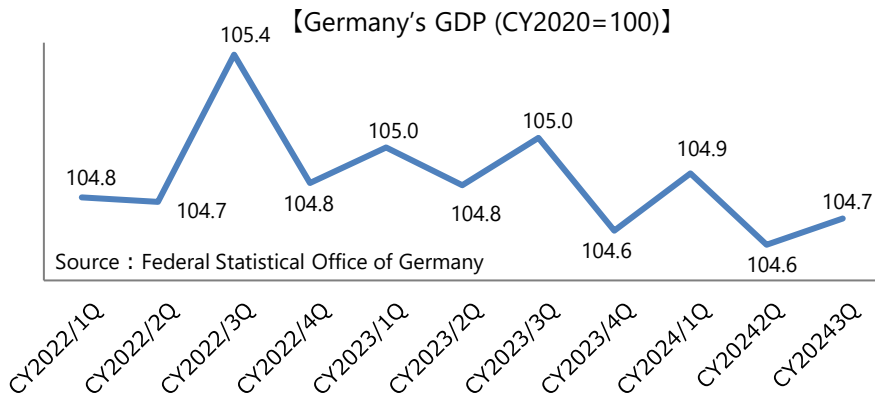
Germany's position in the EU economy

Germany is the largest economy in the EU, accounting for about one-fourth of EU's GDP.



Trends in Germany's GDP

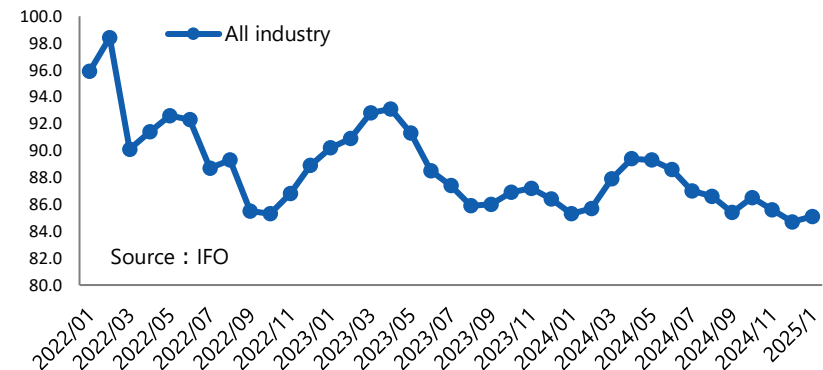
Germany's GDP for Jul.-Sep. 2024 increased by 0.2% from previous quarter. Meanwhile, preliminary data have shown that the country's GDP for 2024 shrank by 0.2% from previous year, marking the second consecutive year of negative growth and highlighting challenging situation in Germany. (Preliminary GDP for Oct.-Dec, was down 0.1% against previous quarter.)



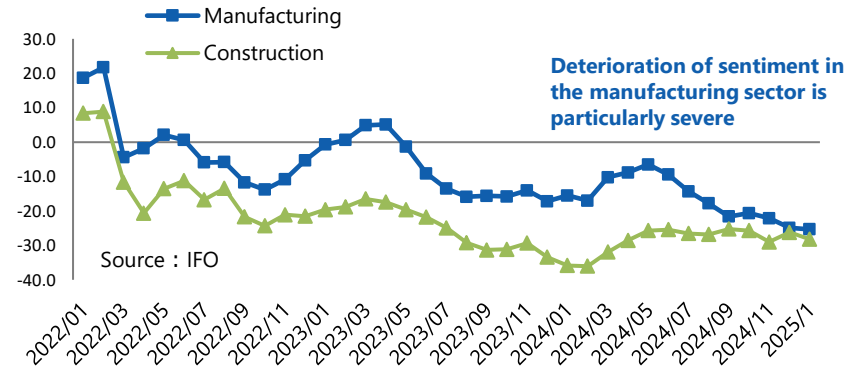
German business climate

The overall German business climate index showed a slight improvement in January, although sentiment remained subdued. Business sentiment among manufacturers continued to display a sluggish trend.

【German business climate index (CY2015=100)】 (All industry)

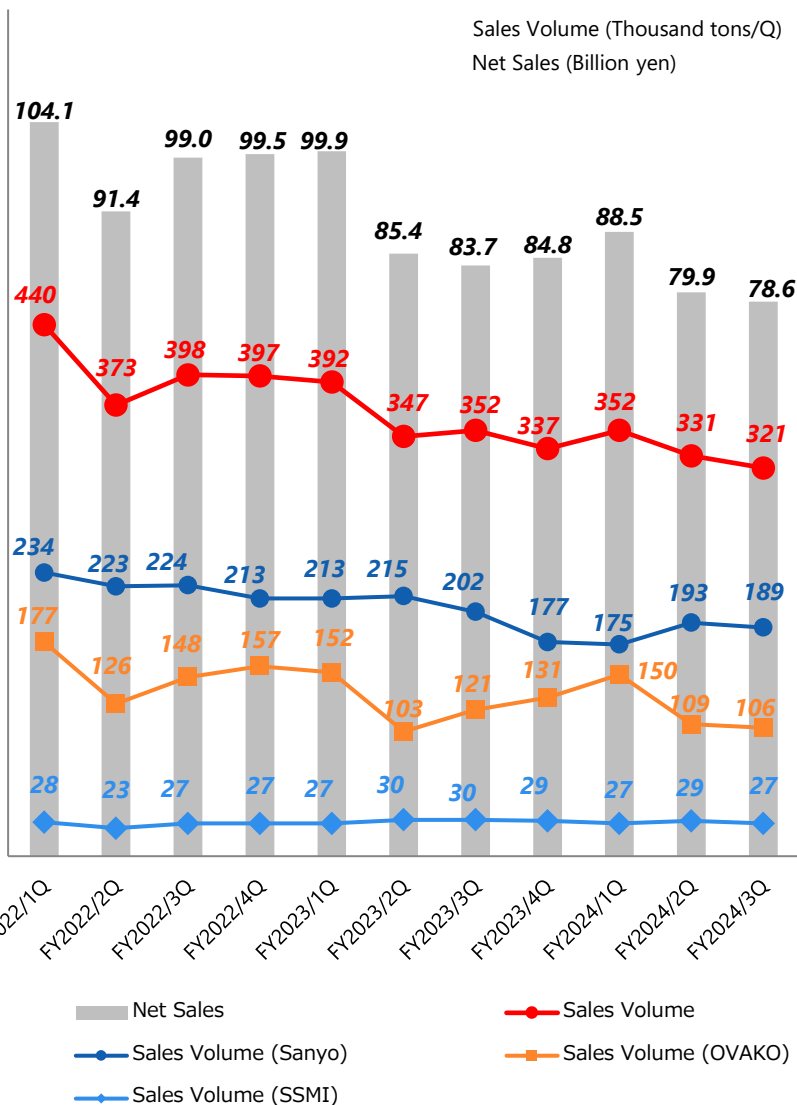


【German business climate index(Balance)】 (Manufacturing · Construction)

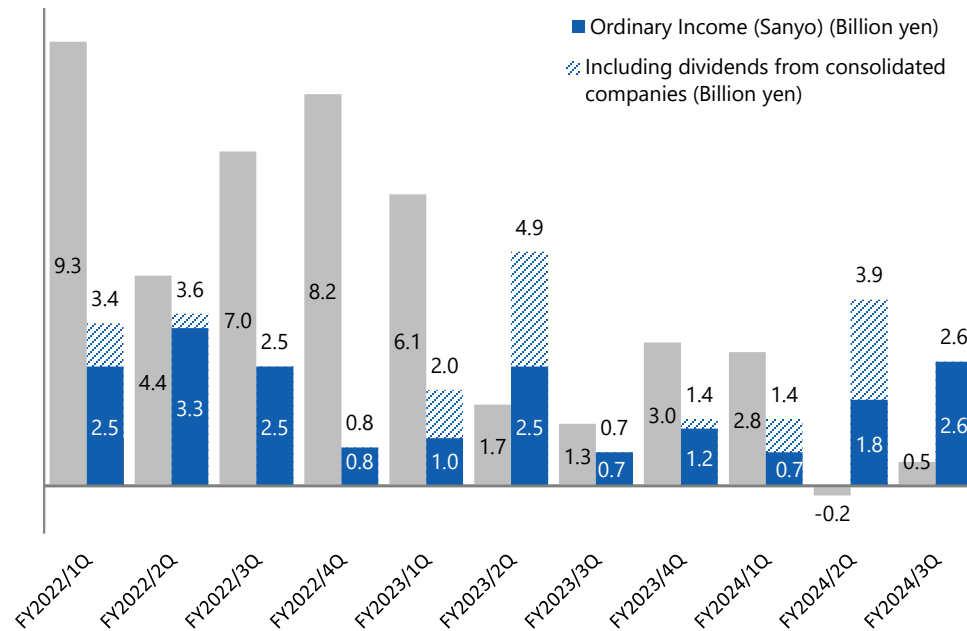


Net Sales and Income (Quarterly)

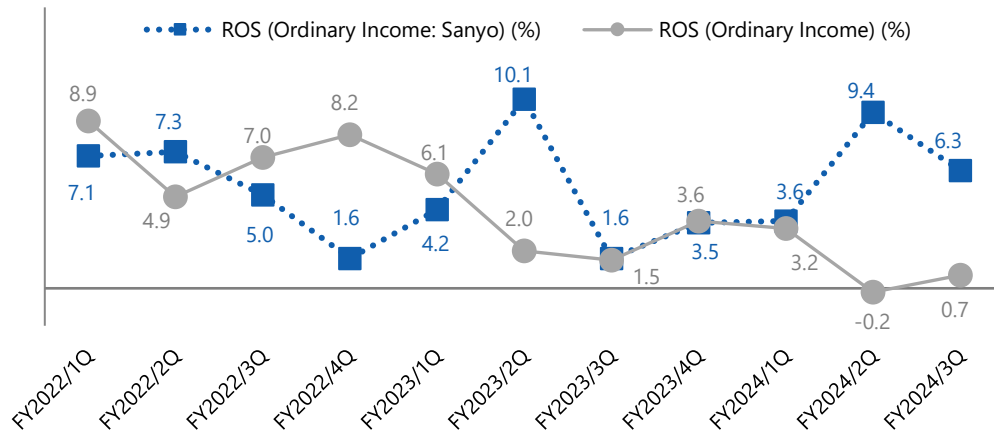
Sales Volume (Thousand tons/Q)
Net Sales (Billion yen)



■ Ordinary Income (Billion yen)
■ Ordinary Income (Sanyo) (Billion yen)
▨ Including dividends from consolidated companies (Billion yen)



● ROS (Ordinary Income: Sanyo) (%) ● ROS (Ordinary Income) (%)



Earnings by Business Segment

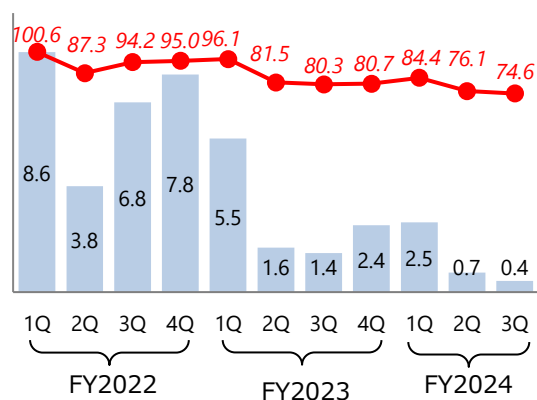
(Unit: Billion yen)

	FY2024/1~3Q (A)			FY2023/1~3Q (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	235.1	3.7	1.6	257.9	8.5	3.3	-22.8	-4.8	-1.7
Metal Powders	4.3	0.9	21.8	4.0	0.7	17.5	+0.2	+0.2	+4.3
Formed and Fabricated Materials	13.6	-0.9	-6.6	13.7	-0.4	-3.2	-0.2	-0.5	-3.4
Sub-total	252.9	3.7	1.5	275.7	8.7	3.2	-22.7	-5.0	-1.7
Others	1.2	0.0	2.1	1.0	0.0	2.4	+0.3	+0.0	-0.3
Adjustments	-7.1	0.0	—	-7.7	0.0	—	+0.5	-0.0	—
Consolidated total	247.0	3.8	1.5	269.0	8.8	3.3	-21.9	-5.1	-1.8

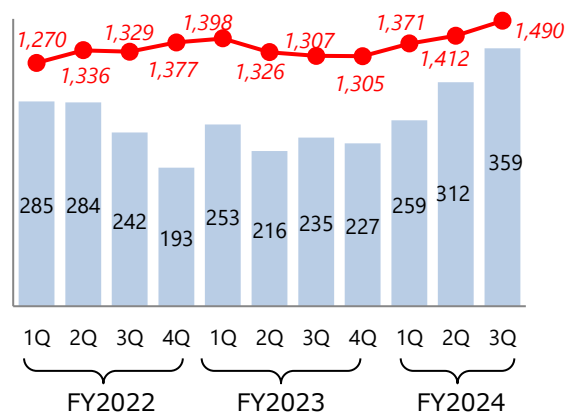
Change in Business Segment

Operating Income Sales

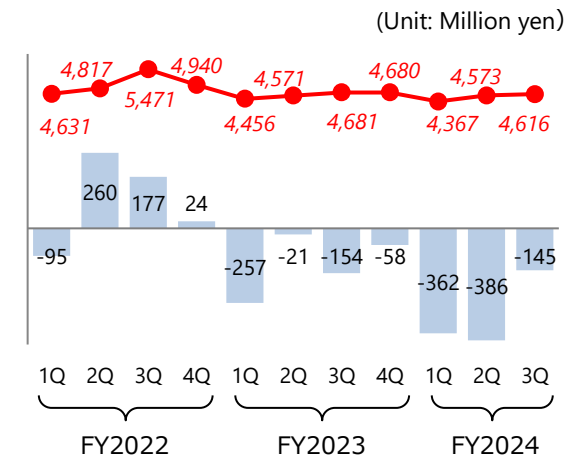
Steel Products (Unit: Billion yen)



Metal Powders (Unit: Million yen)



Formed and Fabricated Materials (Unit: Million yen)



Balance Sheets (Consolidated)

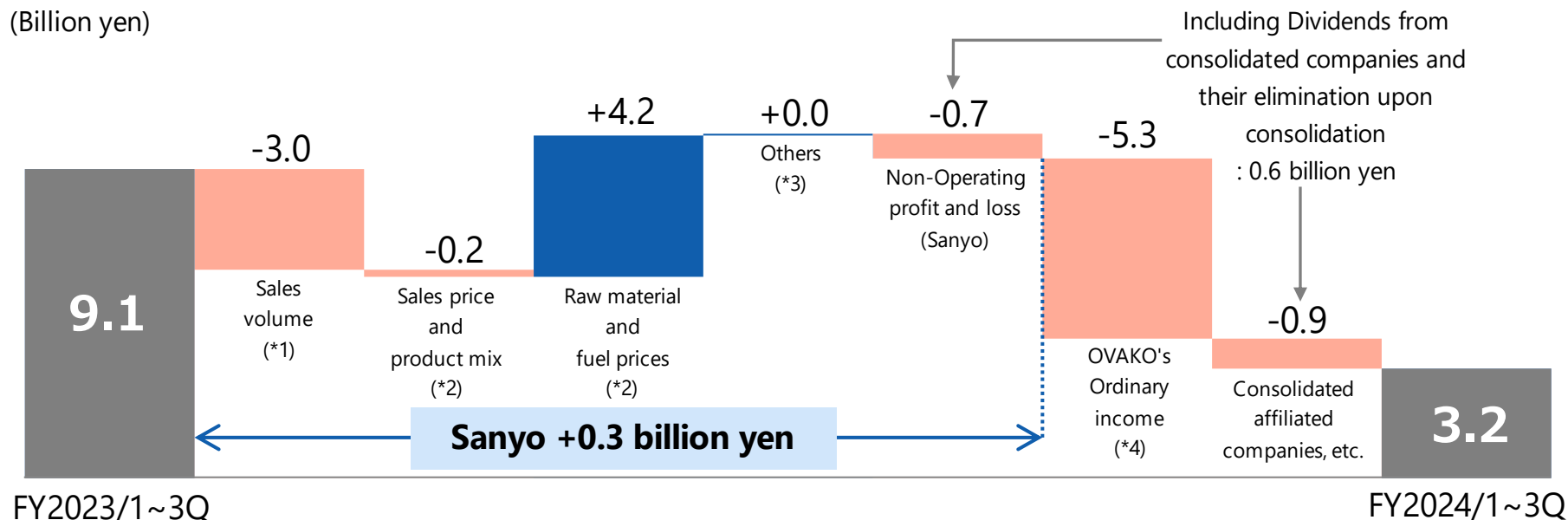
(Unit: Billion yen, Yen per share)

	2024/12 (A)	2024/3 (B)	Change (B) → (A)	Major Changes
Current Assets	217.7	228.4	-10.7	Assets
Cash and deposits	21.3	26.6	-5.3	[Including foreign exchange impact +0.7 billion yen]
Deposits paid to parent company	4.4	4.8	-0.4	1. Trade Receivables : Decrease due to lower sales
Trade Receivables	69.3	72.9	-3.6	2. Inventories : Decrease due to lower raw material and fuel prices
Inventories	115.9	119.2	-3.2	3. Goodwill : Amortization -2.6, Foreign exchange impact +0.3
Non-current Assets	167.2	170.3	-3.1	
Property, Plant and Equipment	124.2	123.5	+0.7	
Goodwill	30.7	33.0	-2.2	
Investments and Other Assets	8.1	9.8	-1.7	
Total Assets	384.9	398.7	-13.8	
Liabilities	159.8	170.1	-10.3	Liabilities and Net Assets
Trade Payables	33.1	39.4	-6.3	[Including foreign exchange impact +0.7 billion yen]
Interest-bearing Debt	88.5	82.9	+5.6	1. Interest-bearing Debt : Increase due to working capital financing
Net Assets	225.0	228.6	-3.6	2. Net Assets : Decrease in capital surplus -1.9
Equity	223.7	226.7	-2.9	Retained earnings -1.5
Non-controlling Interests	1.3	1.9	-0.6	(Net Income +1.2, Cash dividends paid -2.7)
Total Liabilities and Net Assets	384.9	398.7	-13.8	
Equity Ratio (%)	58.1	56.9	+1.3	[Exchange Rate]
Net Assets Per Share	4,106.35	4,160.27	-53.92	as of Dec. 2024 : 164.9 yen/€
Net D/E Ratio (Times)	0.28	0.23	+0.05	as of Mar. 2024 : 163.2 yen/€

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Dec. 2024 non-consolidated basis) Sanyo 271.8 billion yen OVAKO 125.3 billion yen SSMI 15.3 billion yen

Ordinary Income Variance Analysis (FY2023/1~3Q → FY2024/1~3Q Result)

(Billion yen)



Sanyo	7.6
OVAKO	6.1
Others	-4.6

Consolidated -5.9 billion yen

Sanyo	8.0
OVAKO	0.8
Others	-5.5

(*1) Sales volume

- 12% (-73: 629 → 556 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap : +1.0 (-0.2 → +0.8)
- Energy : -1.2 (+1.1 → -0.1)

(*3) Breakdown of Others

- Variable cost reductions +0.3,
- Repair and maintenance expenses +0.4,
- Fixed cost +0.1,
- Other materials, outsourcing, logistic cost, etc. -0.8

(*4) OVAKO's Ordinary Income

- Sales volume -1.4
-3% (-11: 376 → 365 thousand tons)
- Transient factors -0.6 (+0.6 → 0.0)
Energy Subsidy -0.6 (+0.6 → 0.0)
- Sales margin and product mix, raw material and fuel prices -6.0
- Others (Fixed cost, etc.) +2.7

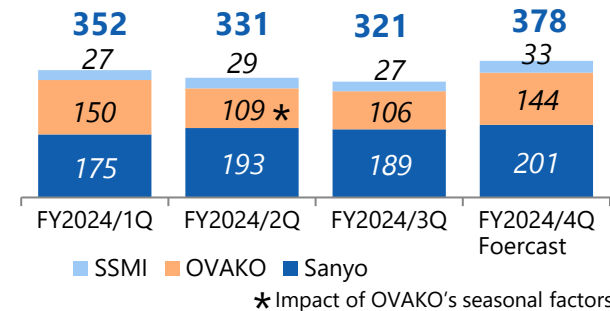
2. FY2024 Forecast

Business Forecast for FY2024 (Announced on Jan. 31, 2025)

Ordinary Income Forecast for FY2024 : 11.0 billion yen (-1.1 billion yen against FY2023)

- While gradual recovery in demand is expected, there are concerns regarding downside risks to global economy, such as stagnation of the European and Chinese economies, as well as the impact of lingering inflation.
- Margin improvement efforts, such as price improvements and cost reductions, will continue.

(Reference) Sales Volume (Thousand tons/Q)



(Unit: Billion yen)

	Revised Forecast (Announced on Jan. 31, 2025)					Previous Forecast (Announced on Oct. 31, 2024)		Change	
	1H (Result)	3Q (Result)	4Q	2H	FY (A)	2H	FY (B)	(B) → (A)	3Q → 4Q
Net Sales	168.4	78.6	91.2	169.8	338.2	173.6	342.0	-3.8	+12.5
Operating Income	3.1	0.7	7.4	8.1	11.2	10.1	13.2	-2.0	+6.8
Ordinary Income	2.6	0.5	7.8	8.4	11.0	10.4	13.0	-2.0	+7.3
(Sanyo)	5.3	2.6	3.5	6.2	11.5	6.2	11.5	—	+0.9
(OVAKO)	2.1	-1.3	2.7	1.4	3.5	3.4	5.5	-2.0	+4.0
(SSMI)	0.4	0.2	0.4	0.6	1.0	0.6	1.0	—	+0.2
(Amortization of goodwill)	-1.7	-0.8	-0.8	-1.7	-3.4	-1.7	-3.4	—	+0.0
Net Income^{*1}	1.5	-0.3	5.8	5.5	7.0	8.0	9.5	-2.5	+6.1
ROE (%)					3.1		4.1	-1.0	
Net Income before amortization of goodwill	3.2	0.6	6.6	7.2	10.4	9.7	12.9	-2.5	+6.0
ROE (%)					4.6		5.6	-1.0	

*1 Profit attributable to owners of parent

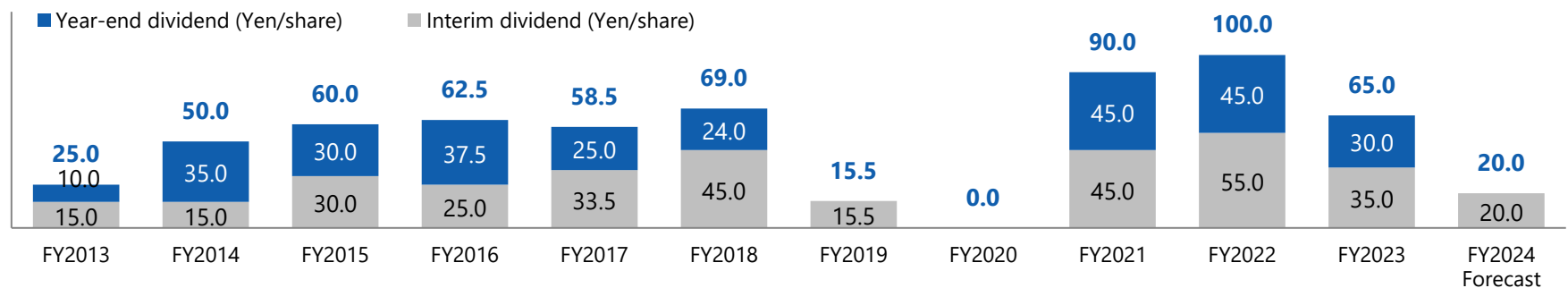
*2 The consolidated accounting period for SSMI is Jan. to Dec.

Major assumptions after January 2025

- Scrap iron 42,000 yen/t (H2 market price in Himeji area)
- Crude oil (Dubai) 80\$/BL · Exchange rate 155 yen/US\$, 160 yen/€

Dividend Forecast for FY2024 (announced on January 31, 2025)

	Yen/share	Revised Forecast (A) (Announced on Jan. 31, 2025)			Previous Forecast (B) (Announced on Oct. 31, 2024)		Change (B) → (A)	
		1H Result	(A)		(B)		(B) → (A)	
			2H Forecast	FY	2H Forecast	FY	2H	FY
Dividend	20.0	—	20.0	50.0	70.0	-50.0	-50.0	



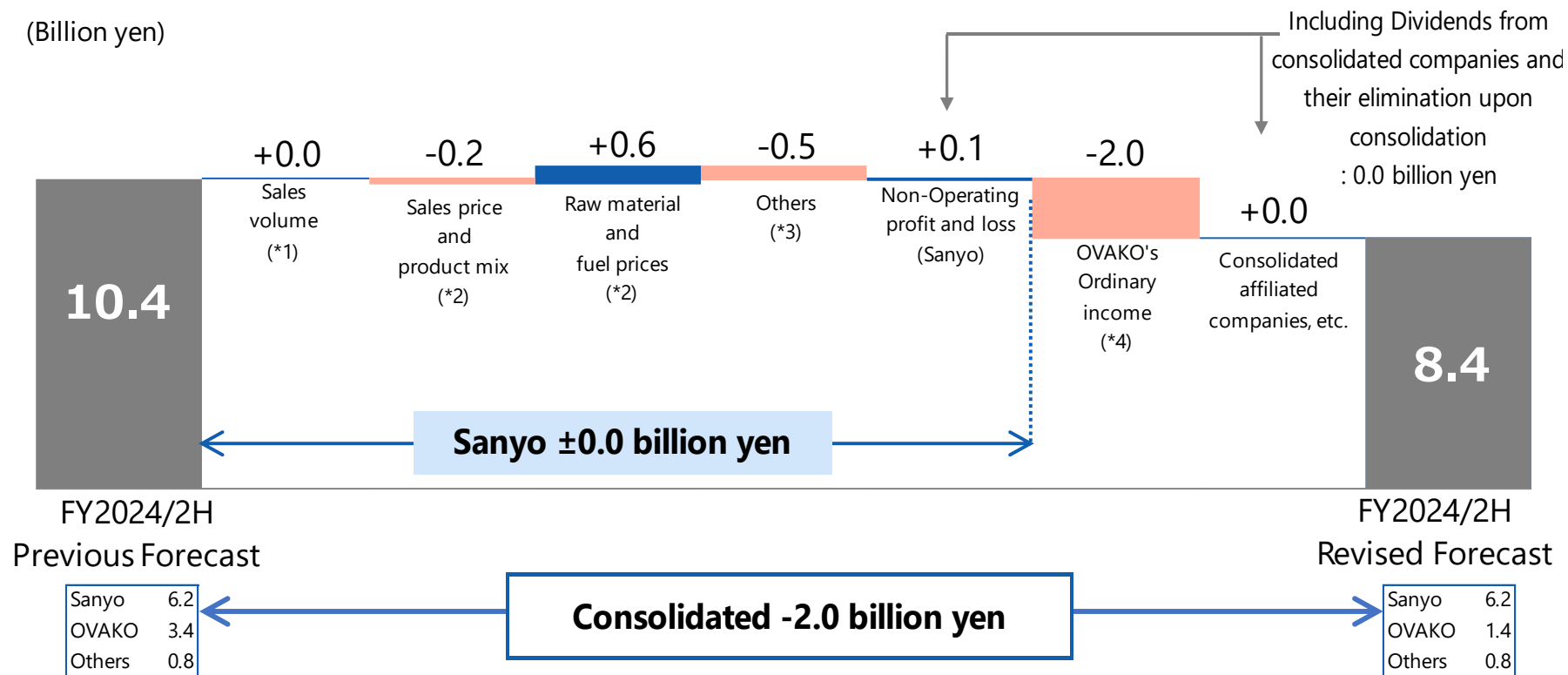
Subject to the completion of the tender offer for Sanyo Special Steel's shares by Nippon Steel, Sanyo Special Steel has revised its dividend forecast for FY2024 and **resolved not to pay year-end dividends for FY2024**.

For details of the tender offer, please refer to the "Notice Regarding Expression of Opinion in Support of the Tender Offer for the Company Shares by Nippon Steel Corporation (the Company's Parent Company) and Recommendation to Tender Shares in the Tender Offer" announced on Jan. 31, 2025 by Sanyo Special Steel.

Ordinary Income Variance Analysis

(FY2024/2H Previous Forecast → FY2024/2H Revised Forecast)

(Billion yen)

**(*1) Sales volume**

- 0% (0: 390→ 390 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :+0.2 (+0.9→ +1.1)
- Energy :+0.0 (-0.0→ -0.0)

(*3) Breakdown of Others

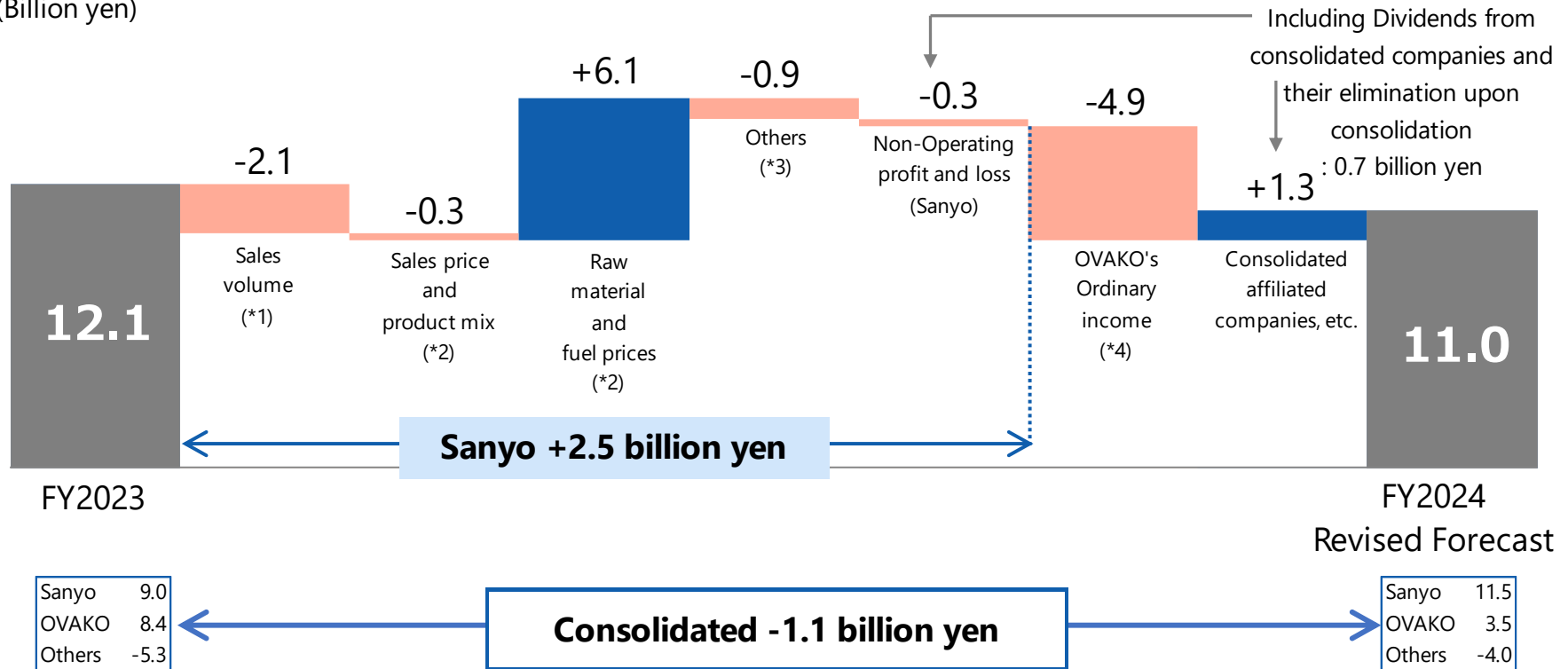
- Variable cost reductions-0.1,
- Other materials, outsourcing, logistic cost, etc.-0.3,
- Repair and maintenance expenses-0.1

(*4) OVAKO's Ordinary Income

- Sales volume -3.1
-10% (-26: 276→ 250 thousand tons)
- Transient factors +0.4 (0.0→+0.4)
FX effect (SEK vs. EUR) +0.4 (0.0→ +0.4)
- Sales margin and product mix, raw material and fuel prices -1.9
- Others (Fixed cost, etc.) +2.6

Ordinary Income Variance Analysis (FY2023 → FY2024 Revised Forecast)

(Billion yen)



(*1) Sales volume

- 6% (-49: 806 → 757 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :+1.5 (-0.3 → +1.2)
- Energy :-1.8 (+1.7 → -0.1)

(*3) Breakdown of Others

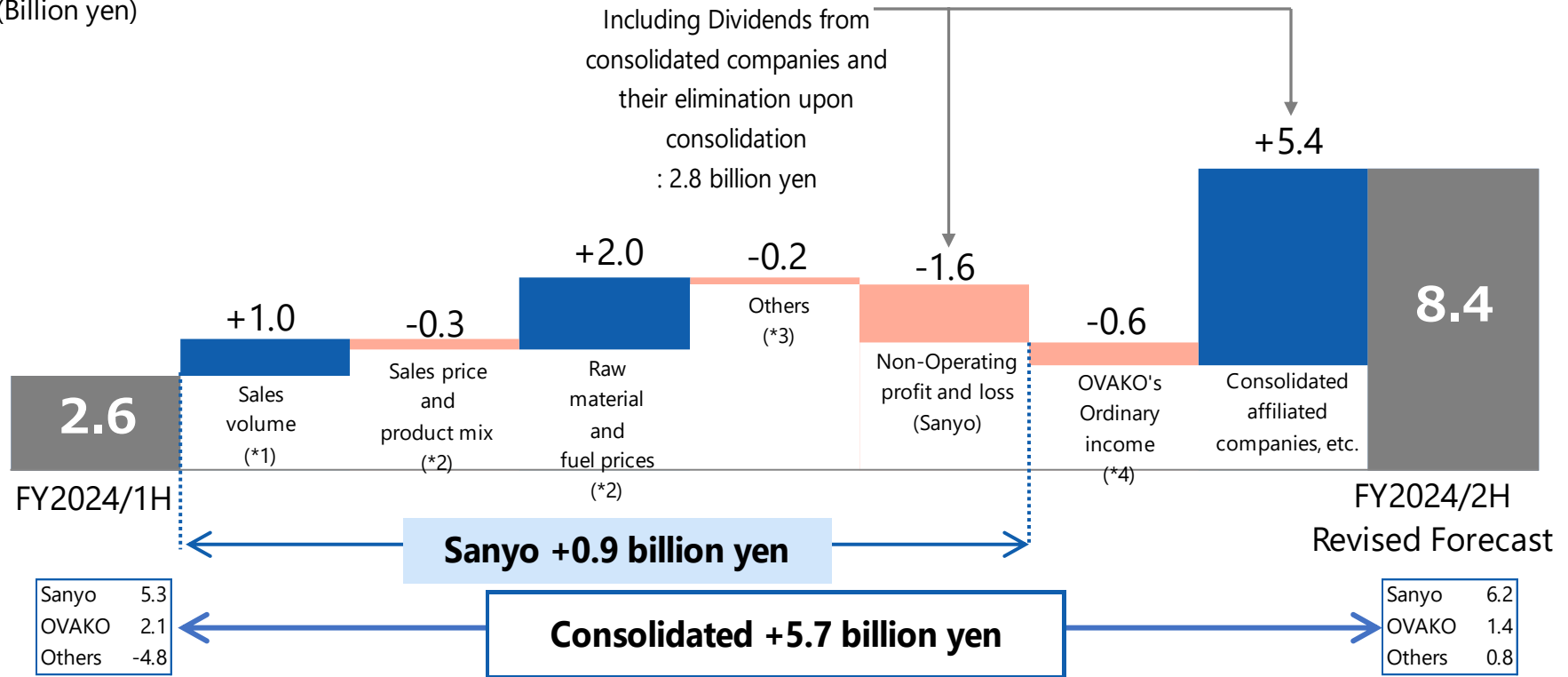
- Variable cost reductions+0.7,
- Repair and maintenance expenses+0.5,
- Other materials, outsourcing, logistic cost, etc.-1.6,
- Fixed cost-0.5

(*4) OVAKO's Ordinary Income

- Sales volume +0.0
+0% (+1: 508 → 509 thousand tons)
- Transient factors -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)
Others -0.3 (+0.3 → 0.0)
- Sales margin and product mix, raw material and fuel prices -7.0
- Others (Fixed cost, etc.) +3.4

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

(Billion yen)



(*1) Sales volume

- +6% (+22: 367 → 390 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap : +1.0 (+0.1 → +1.1)
- Energy : +0.0 (-0.1 → -0.0)

(*3) Breakdown of Others

- Variable cost reductions +0.2,
- Repair and maintenance expenses +0.4,
- Other materials, outsourcing, logistic cost, etc. -0.2,
- Fixed cost -0.6

(*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) -1.3
-4% (-9: 259 → 250 thousand tons)
- Transient factors +0.8 (-0.4 → +0.4)
FX effect (SEK vs. EUR) +0.8 (-0.4 → -0.4)
- Sales margin and product mix, raw material and fuel prices -1.2
- Others (Fixed cost, etc.) +1.1

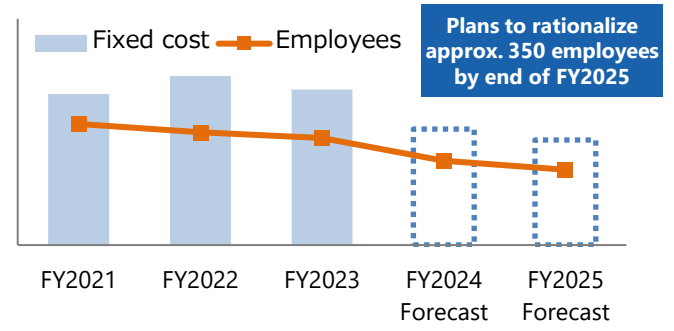
Review of Performance <OVAKO>

FY2024 Forecast

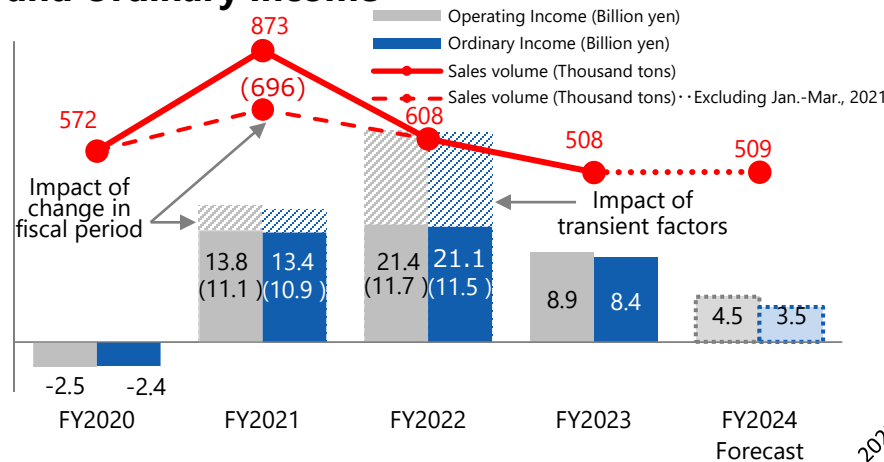
Ordinary Income for FY2024 : 3.5 billion yen (-4.9 billion yen against FY2023)

- Ordinary income in FY2024/1~3Q was 0.8 billion yen (-5.3 billion yen against FY2023/1~3Q). Demand remained sluggish mainly due to slower-than-expected recovery of European economy and structural changes, including influx of low-priced imported materials and relocation of production bases to outside of Europe. Sales volume was also negatively affected by destocking in 3Q, triggered by concerns about a worsening German economy. Although the decline was partially offset by effective sales promotions utilizing advantage in carbon efficiency, sales volume still fell short of our expectations.
- OVAKO has initiated and is promoting personnel rationalization to cope with structural changes and plans to reduce approx. 350 employees by FY2025. Extraordinary loss of 1.1 billion yen has been posted by FY2024/3Q as expenses related to rationalization.
- OVAKO aims to secure ordinary income of 3.5 billion yen for FY2024 (-2.0 billion yen against previous forecast). It will rigorously control costs and utilize advantages in carbon efficiency in sales promotion.

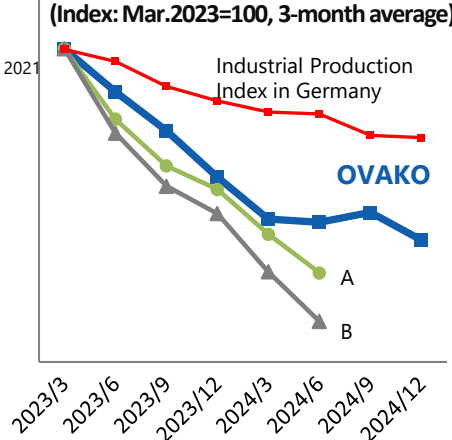
OVAKO's fixed cost and employees



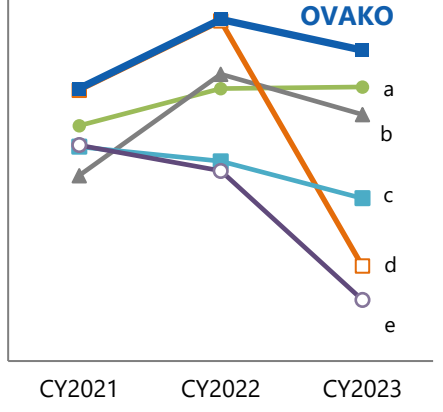
Trend of Sales volume, Operating Income, and Ordinary Income



Sales Volume of European Special Steel Producers and Industrial Production in Germany (Index: Mar.2023=100, 3-month average)



Comparison with European peers (EBIT%)



* Dec 2024 Industrial Production Index in Germany is the average of Oct and Nov.

Review of Performance <SSMI>

FY2024 Forecast

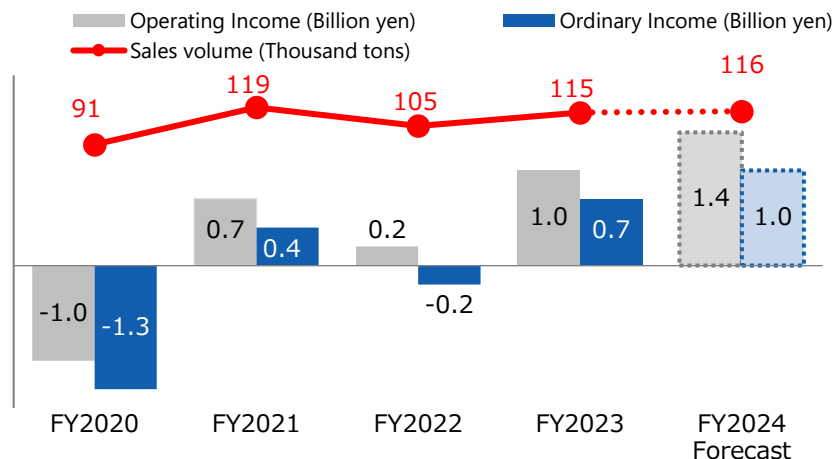
Ordinary Income in FY2024/1~3Q (Jan.-Sep. 2024) : 0.6 billion yen (+0.1 billion yen against FY2023/1~3Q)

- SSMI secured ordinary income of 0.6 billion yen in FY2024/1~3Q (Jan.-Sep. 2024), supported by improvements in product mix and profit margin, as well as efforts to further reduce manufacturing costs. These efforts included further utilization of cost competitive raw materials and green energy, as well as streamlining of production process.

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

- SSMI aims to ensure higher returns in FY2024 by expanding sales volume, implementing cost reduction measures, and improving product mix and profit margin.

Trend of Sales volume, Operating Income, and Ordinary Income



Profit improvement measures and actions

- Enhancement of sales foundation**
Formulate and execute sales strategies reflecting value of SSMI's superior high-cleanliness steelmaking technology. Improve product mix and profit margin while reinforcing marketing resources.
- Variable cost reduction**
Reduce operation costs by enhancing energy intensity and efficiency, and by reducing procurement costs using cost competitive raw materials and green energy. (In September 2024, SSMI began utilizing electricity generated from solar power.)
- Fixed cost control**
Reduce interest costs by repaying borrowings associated with capital increase, etc.

- 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, while also improving its global presence.**

3. Topics

Topics

1. Metal powder exhibitions

Domestic **Highly-Functional Material Expo** (October 29-31, 2024)

- We exhibited our high-grade metal powders such as NOVASHAPE® series for additive manufacturing and magnetic metal powders. Our booth attracted a total of 223 visitors.



Global **Formnext2024** (November 19-22, 2024)

- We presented our metal powders at one of the world's largest additive manufacturing exhibitions held in Frankfurt, Germany.



2. Book donation to elementary schools (November 18, 2024)

- Sanyo Special Steel Cultural Promotion Foundation has been donating books to elementary schools in Himeji City since 2016, with aim of helping children absorb knowledge through reading and develop a rich sense of humanity.
- This year, 434 books were donated to 27 elementary schools in Himeji City.
- Katsuhiro Miyamoto, Representative Director and President who also serves as Chairman of the foundation, visited one of the recipient schools and presented a catalog of donated books to the principal of the representative school.



Ceremony was held at one of the 27 elementary schools to present a catalog of donated books. Donated books have been added to elementary school library collections.

Topics

3. Plant tour for shareholders (November 9, 2024)

- We held plant tour for shareholders to deepen their understanding of Sanyo.
- Shareholders who owned more than 500 Sanyo shares for at least one year as of March 31, 2024, were invited to participate. 53 individuals attended, including family members and guests of the shareholders.
- During Q&A session, many questions and opinions were raised on topics such as decarbonization, DX, and women's career advancement.



4. 2nd round of "Corporate Forest Creation Activities" (November 21, 2024)

- We are promoting "Corporate Forest Creation Activities"*, an initiative under which companies, regional communities and local governments work together to engage in forest conservation efforts.
- 23 Sanyo employees joined the 2nd event of this initiative.
- Our objective is to contribute to biodiversity conservation through continuous efforts to protect forests and "satoyama" (undeveloped woodlands near populated areas).

* In May 2024, an agreement was signed among four parties (Hyogo Prefecture, Himeji City, the Hyogo Prefecture Greenery Promotion Association, and Sanyo) to carry out related activities for five years until May 2029.



A section of the forest (1.46ha) in Fujinokiyama Nature Park of Himeji City has been named "Santo-kun's Forest of the Future" and is currently being used for "Corporate Forest Creation Activities."

"Sanyo Special Steel Report 2024" (Integrated Report)

Available on our website.

https://www.sanyo-steel.co.jp/english/shareholder/ir_document/annual-report.php



Topics

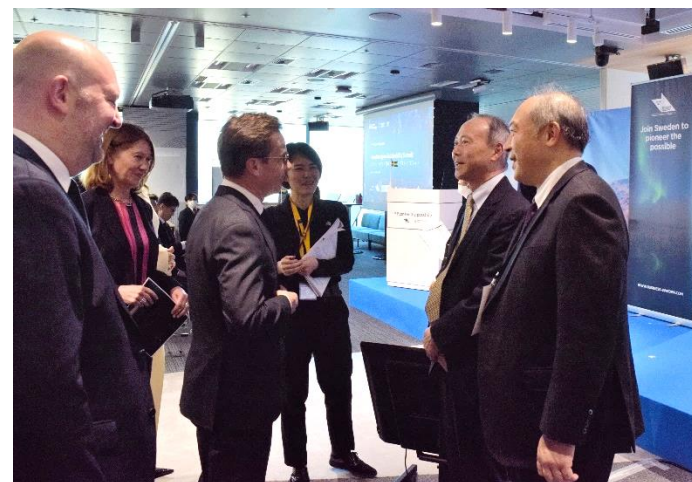
5. Japanese Expat Delivers Lecture at Stockholm School of Economics (November 19, 2024)

- A Japanese expatriate, dispatched from Sanyo to OVAKO, delivered a lecture at Stockholm School of Economics in Sweden as part of an intensive course on Japan-Europe-Sweden relations, held in collaboration with Kyushu University in Japan.
- The lecture on the history of collaboration between Japanese and Swedish steel industries and its current status attracted around 30 participants, who actively engaged with questions.



6. "Sweden-Japan Sustainability Summit 2024" (December 2, 2024)

- "Sweden-Japan Sustainability Summit 2024" was held in Tokyo with attendance of delegation from Swedish government led by Prime Minister Ulf Kristersson.
- The Summit was organized by Business Sweden and the Embassy of Sweden in Tokyo with aim of speeding up Japan's green transition through collaborative efforts.
- Takashi Yatsunami, Member of the Board and Managing Executive Officer participated in the meeting and had a dialogue with Honorable Prime Minister Ulf Kristersson about management of OVAKO.



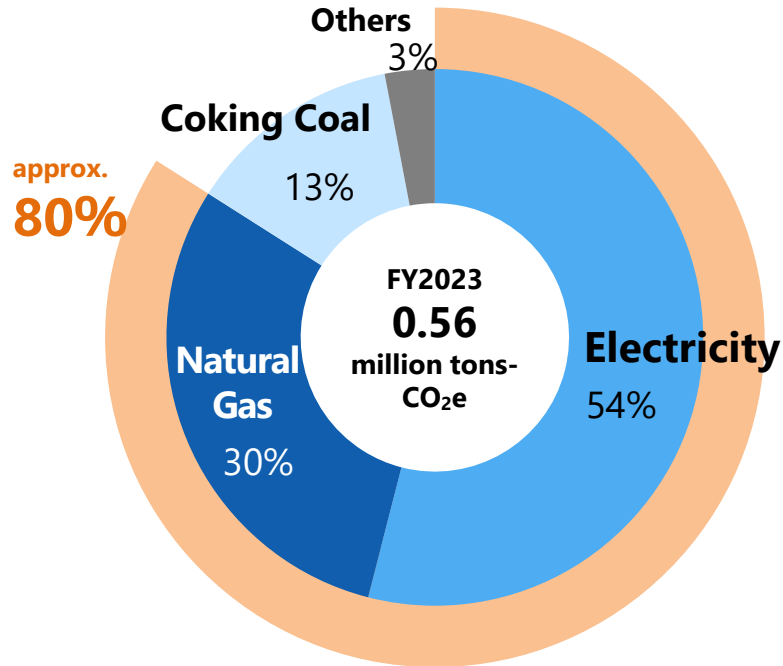
Takashi Yatsunami, Member of the Board and Managing Executive Officer (second from the right) in conversation with Honorable Swedish Prime Minister Ulf Kristersson (in the center)

4. Achieving Carbon Neutrality (CN) by 2050

Basic Consideration to Carbon Neutrality

Breakdown of Sanyo's GHG emissions

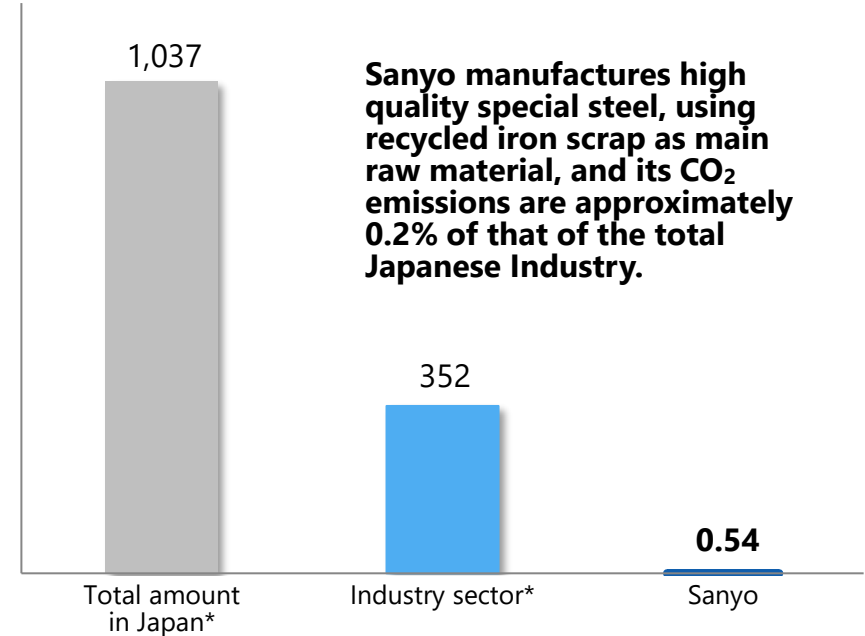
(Scope 1 & 2 of Sanyo)



GHG emissions due to consumption of electricity and natural gas account for 80% or more of the total emissions of Sanyo.

Amount of CO₂ emissions in FY2022

(Million tons)



*Greenhouse Gas Inventory Office of National Institute for Environmental Studies
(Data of CO₂ emission in FY2022)

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.

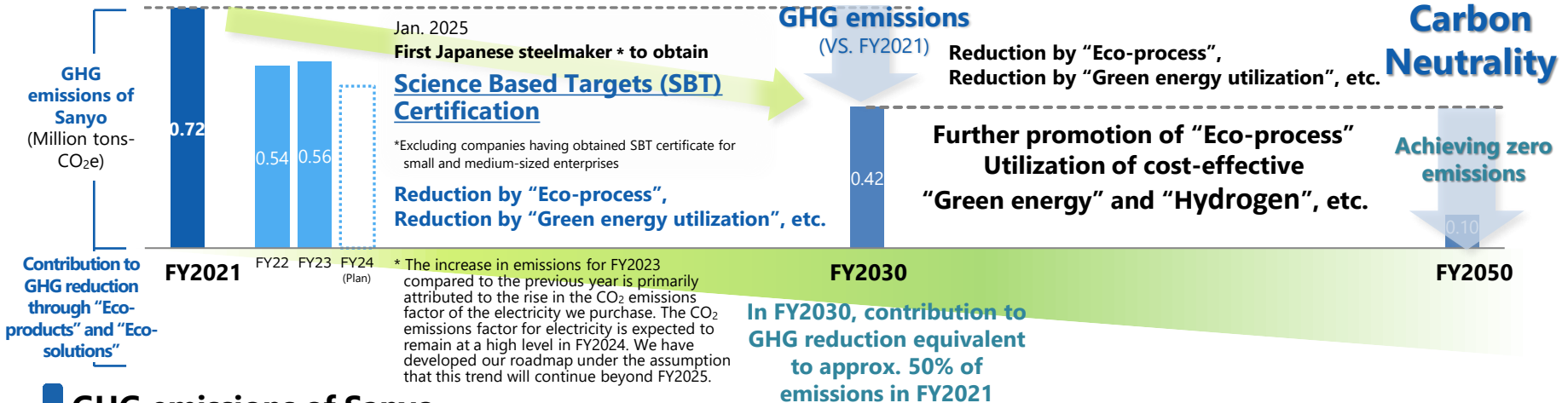
Sanyo will actively engage in activities of GX League, such as voluntary emissions trading, making rules for market creation, creation of business opportunities and exchanges in GX hosted sessions.



Sanyo's Roadmap to Carbon Neutrality by 2050

Sanyo aims to reduce GHG emissions from its own manufacturing process and at all social stages by promoting "Eco-process", "Green energy utilization", "Eco-products" and "Eco-solutions."

【Scope 1 & 2 of Sanyo】



GHG emissions of Sanyo



Energy-saving heating furnace that uses regenerative burners

Eco-process

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.

Commenced to utilize hydroelectric and solar power generation from FY2024.

Contribution to GHG reduction through "Eco-products" and "Eco-solutions"



Developing long-life bearing steel for wind power generation

Eco-products

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



Sharing technologies among group members

Eco-solutions

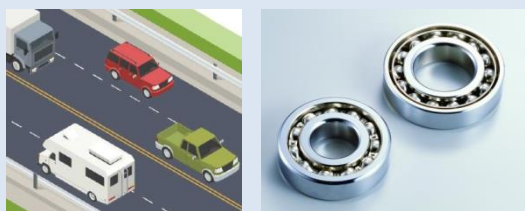
Sharing our energy-saving technologies and productivity improvements among all Sanyo Group members including OVAKO and SSMI.

GHG Emissions Reduction through “Eco-products”

In particular, Sanyo is focusing on development of “Eco-products” that contribute to reducing GHG emissions in the supply chain and final usage.

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

Stable and long-life Bearing steel



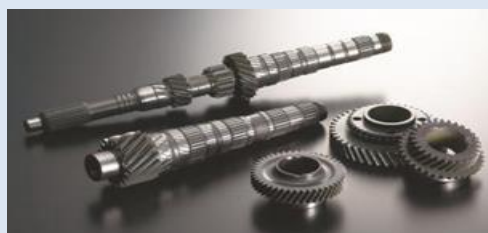
Size and weight reduction of products by improving durability and reliability



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

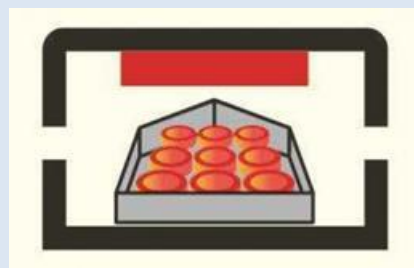
(Estimated CO₂ reduction effect: 13,000 tons/year*)

Process Omitting Steel



(High-strength case-hardened steel: ECOMAX® series)

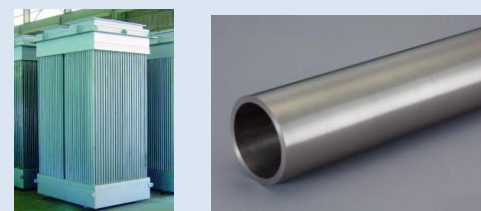
Elimination/simplification of the parts manufacturing process



(High-hardness high-toughness steel: TOUGHFIT®)

Reduction of GHG 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)

Further Enhance OVAKO's World Leading Position in Carbon Efficiency

OVAKO's Roadmap

Apr. 2020 • **First in the world to heat steel using hydrogen**

Jan. 2022 • **Introduction of Carbon Offset Program & Climate Surcharge**

- ✓ OVAKO introduced carbon offset program, as an intermediate solution, to counterbalance remaining GHG emissions.
- ✓ OVAKO started applying climate surcharge to all customers.

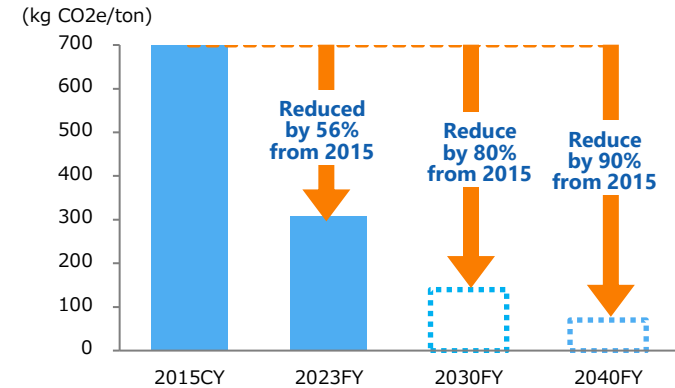
Sep. 2023 • **Inauguration of Fossil-free hydrogen electrolyzer plant**

One of the largest facilities in Europe.
Possible to reduce Hofors mill's GHG emissions from reheating steel process before rolling by 50 percent (approx. 20,000 tons/year).

Collaboration with customers

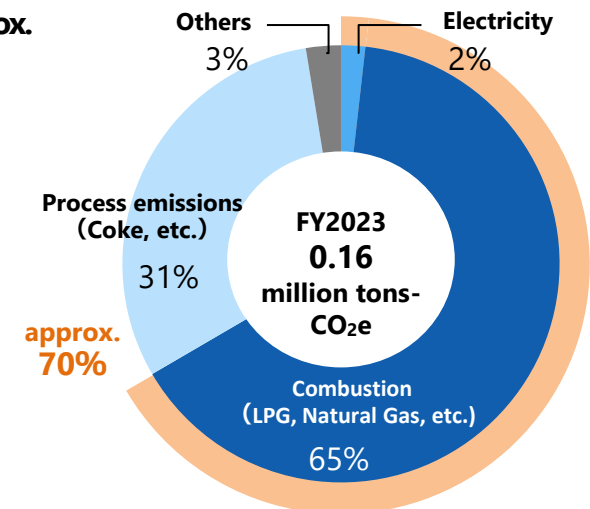
- SKF has produced bearings with 90% less carbon emission than its standard, using OVAKO's high quality bearing steel.
- OVAKO has participated in Volvo's climate-neutral car project.
- OVAKO has signed partnership deal with FNsteel.

OVAKO's GHG emissions (Scope1 & 2)



Made by Sanyo based on OVAKO's SUSTAINABILITY REPORT 2023

Breakdown of OVAKO's GHG 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 (approx. 3,000 tons/year) by electrolysis of water using fossil-free electricity.
- The conversion to hydrogen will enable OVAKO to reduce Hofors' GHG emissions from the process of re-heating steel before rolling by 50 percent (approx. 20,000 tons/year) from an already low level.
- The plan is to use local hydrogen production in all OVAKO units where steel is rolled by 2030, provided there is good access to fossil-free electricity to power the electrolysis process.



Electrolyzer of hydrogen plant of OVAKO

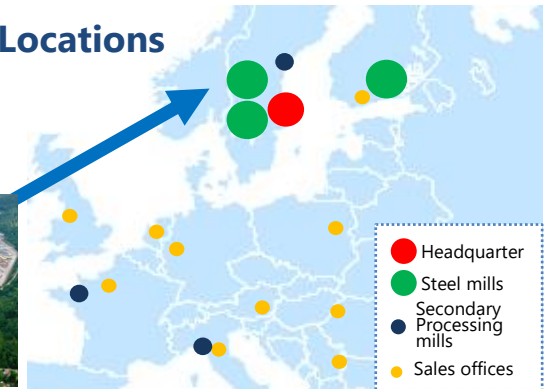
[Sweden's characteristics]

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

Locations



Hofors mill



Ceremony of fossil free hydrogen plant

On September 5, 2023, OVAKO held a ceremony in presence of the Honorable Swedish Prime Minister and many other prominent guests.

(Center) Honorable Swedish Prime Minister,
(Left) Sanyo Representative Director and President,
(Right) OVAKO CEO

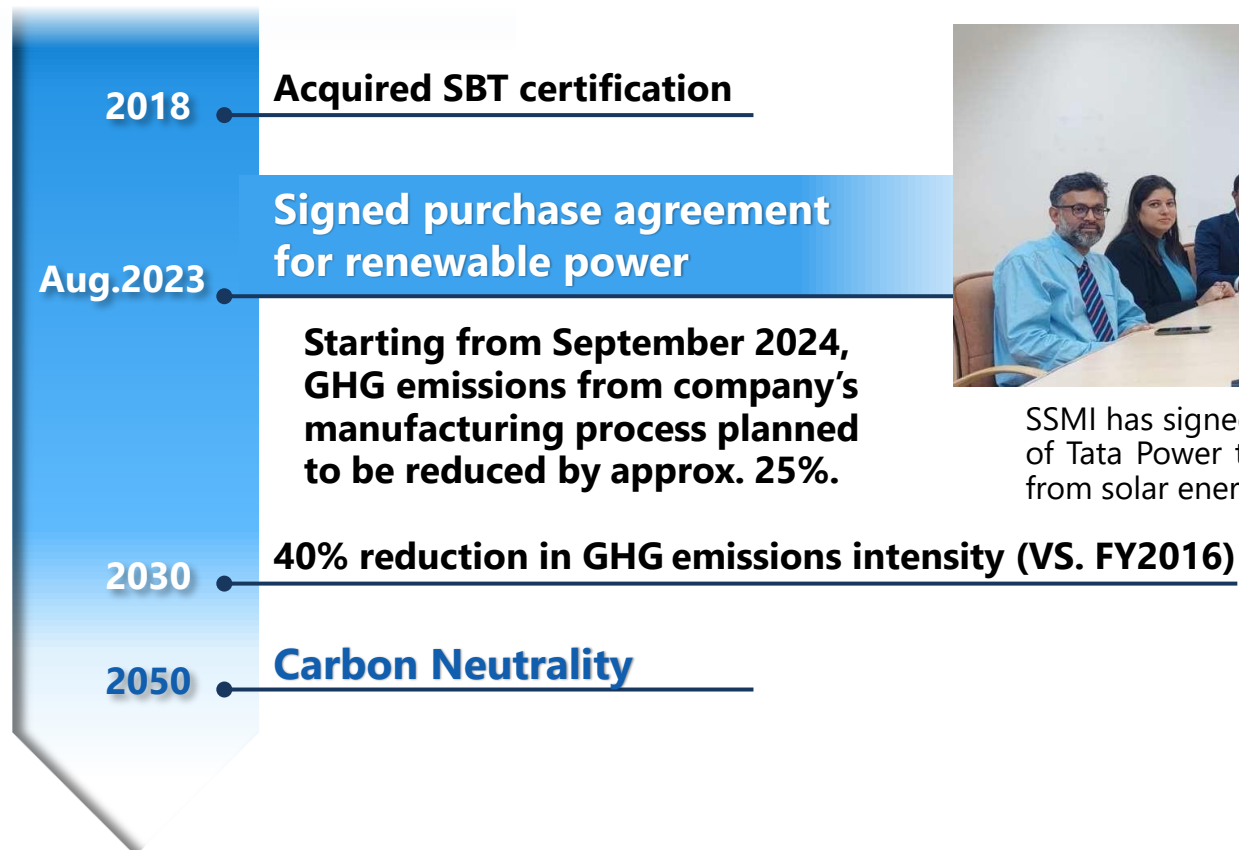


Engagement to Carbon Neutrality by SSMI

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.

SSMI's Roadmap

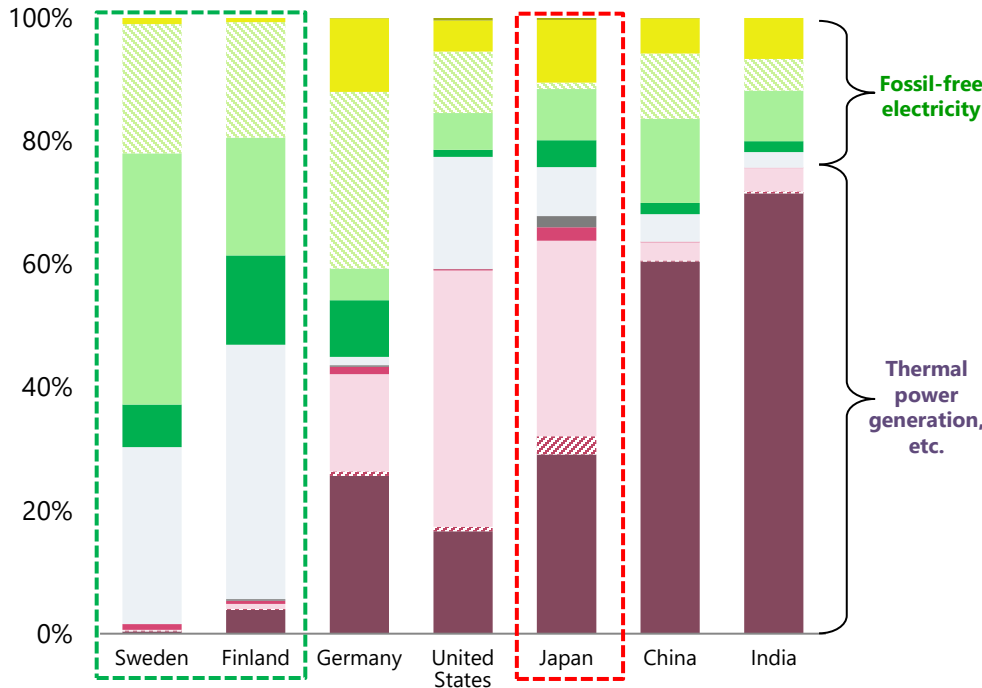


SSMI has signed an agreement with a subsidiary of Tata Power to purchase electricity generated from solar energy, a renewable energy source.

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.

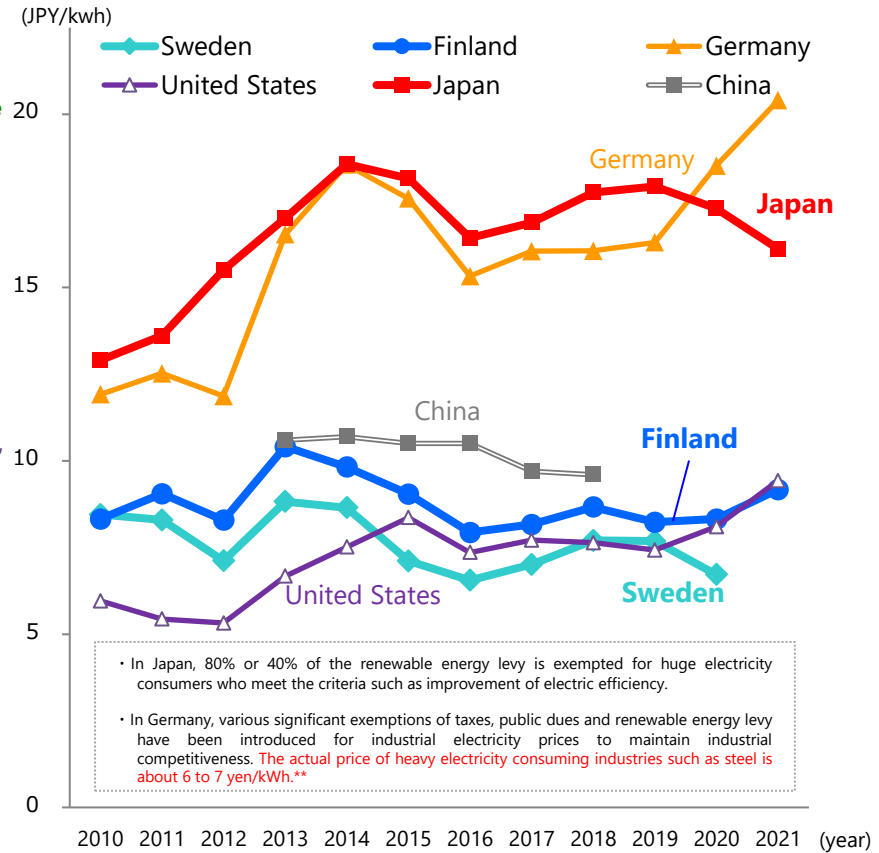


- Coal
- Natural Gas
- Non-Specified
- Combustible Renewables
- Wind
- Geothermal
- Oil
- Other Combustibles
- Nuclear
- Hydro
- Solar
- Other Renewables

*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 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

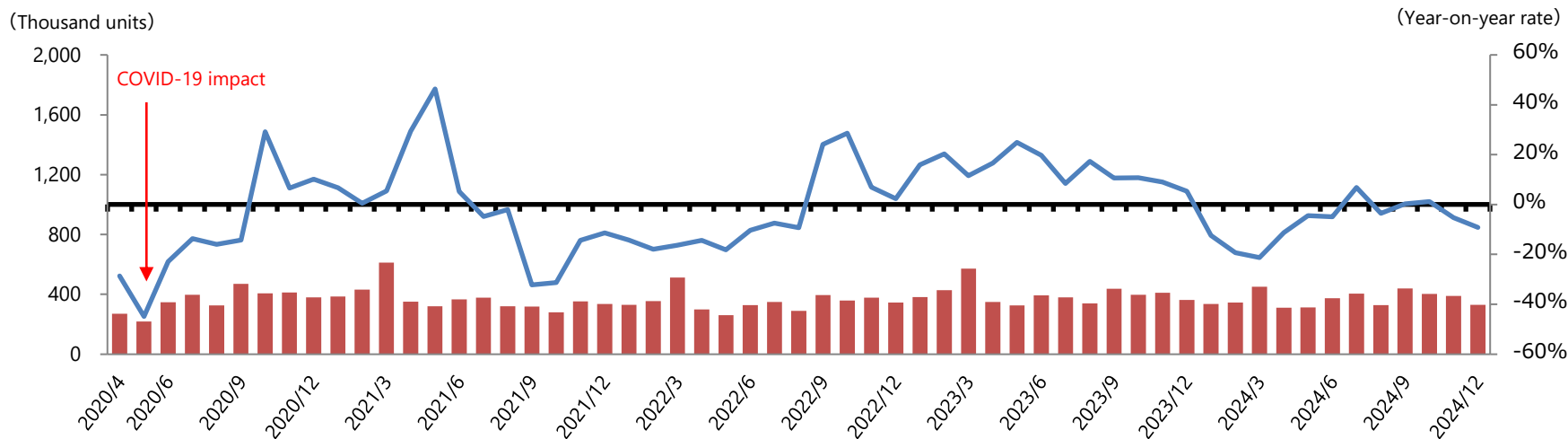
**International Environment and Economy Institute (Realities of the carbon pricing of overseas)

5. Reference

Trends in Automobile Market

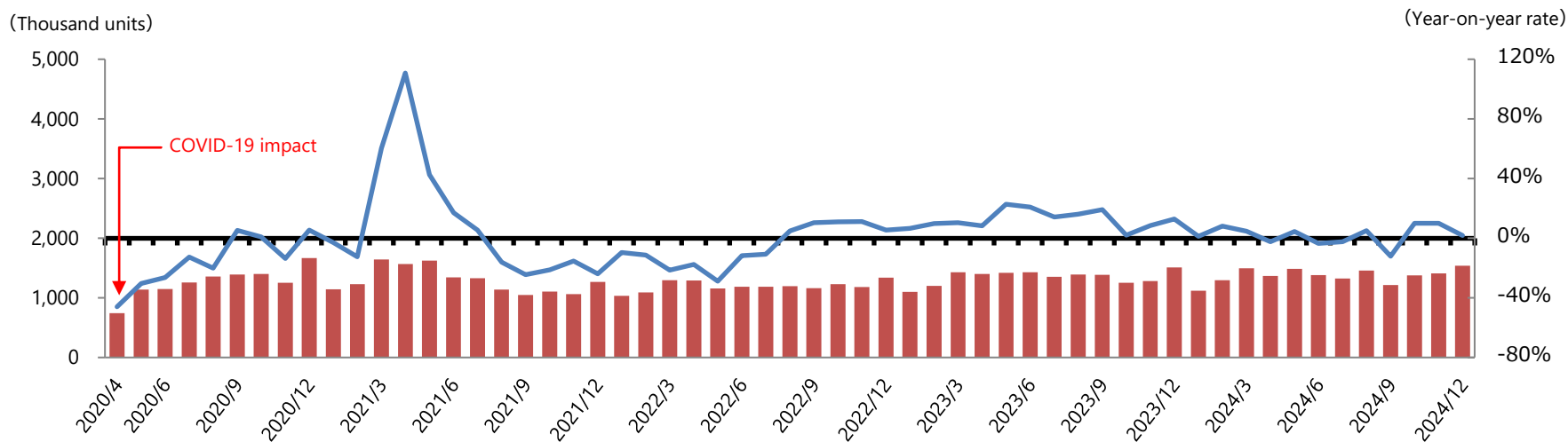
Units of automobile sales in Japan

Source: MarkLines Co., Ltd.



Units of automobile sales in U.S.

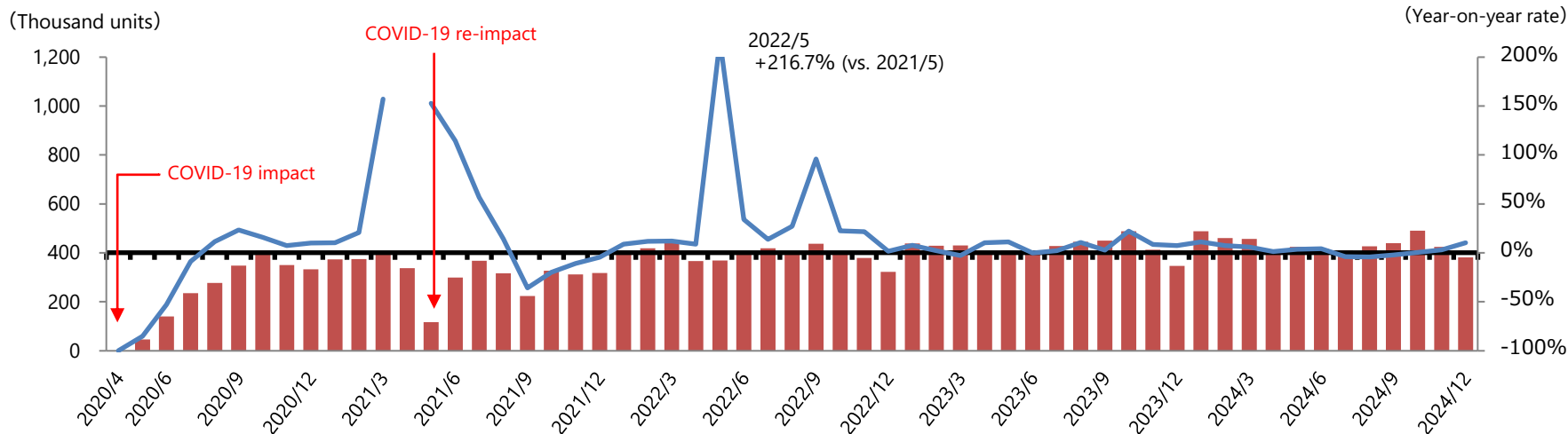
Source: MarkLines Co., Ltd.



Trends in Automobile Market

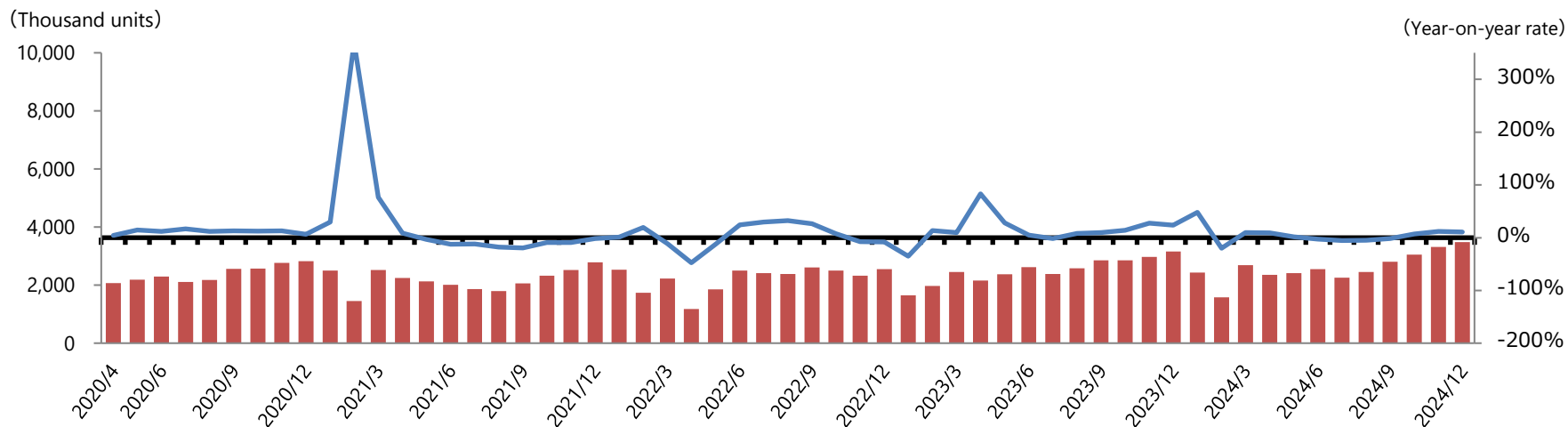
Units of automobile sales in India

Source: MarkLines Co., Ltd.



Units of automobile sales in China(Factory shipment base)

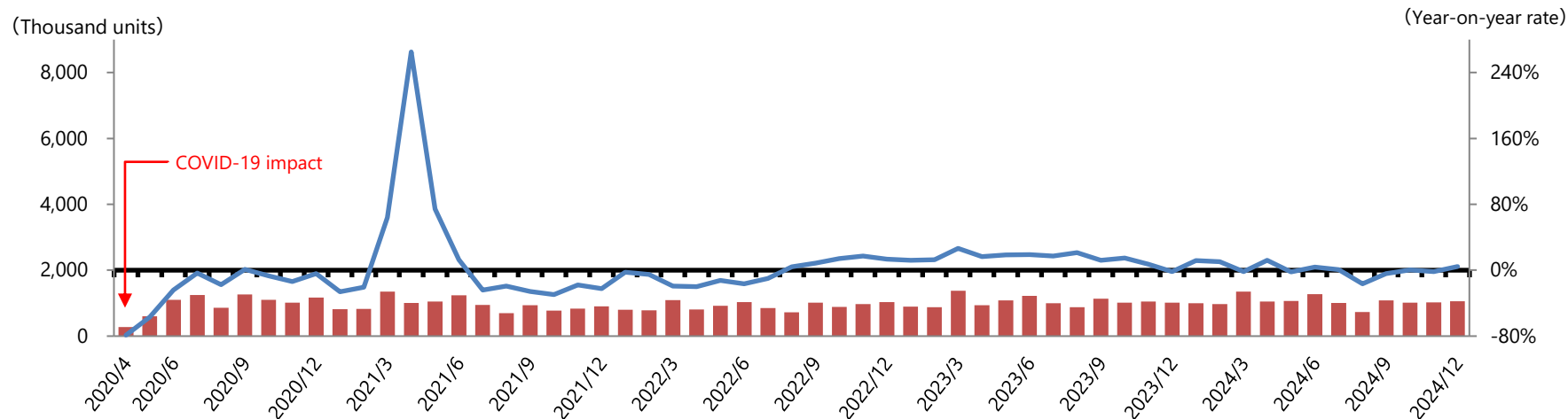
Source: MarkLines Co., Ltd.



Trends in Automobile Market

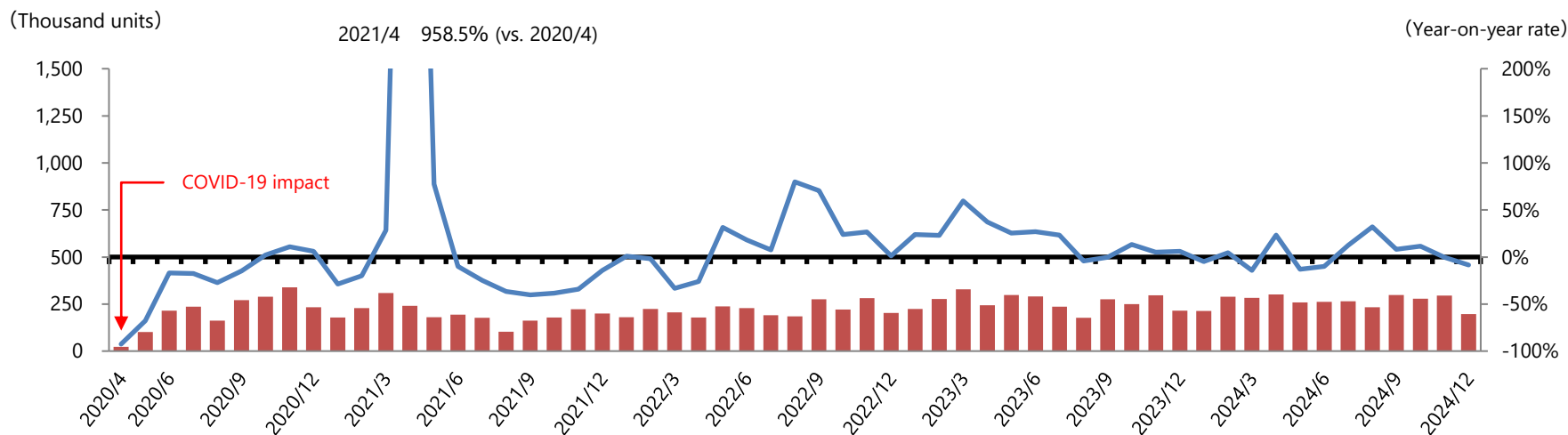
Units of automobile sales in Europe

Source: ACEA



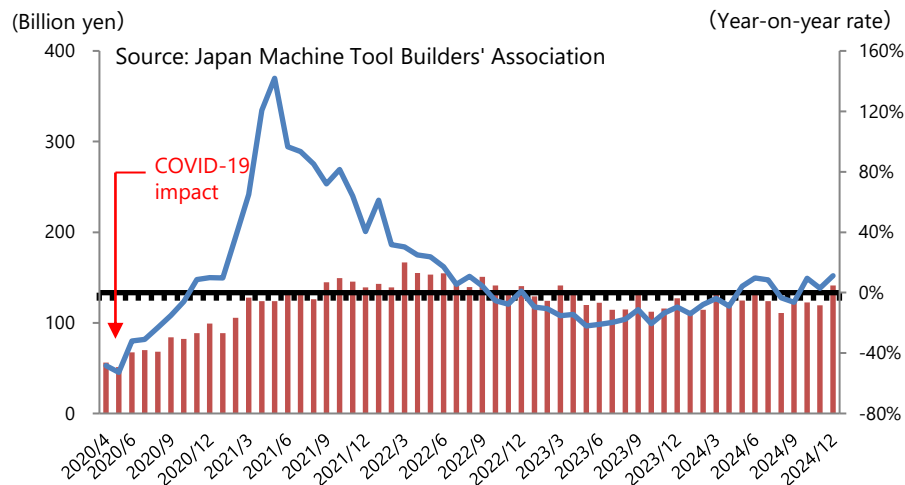
Units of automobile export from Germany

Source: VDA

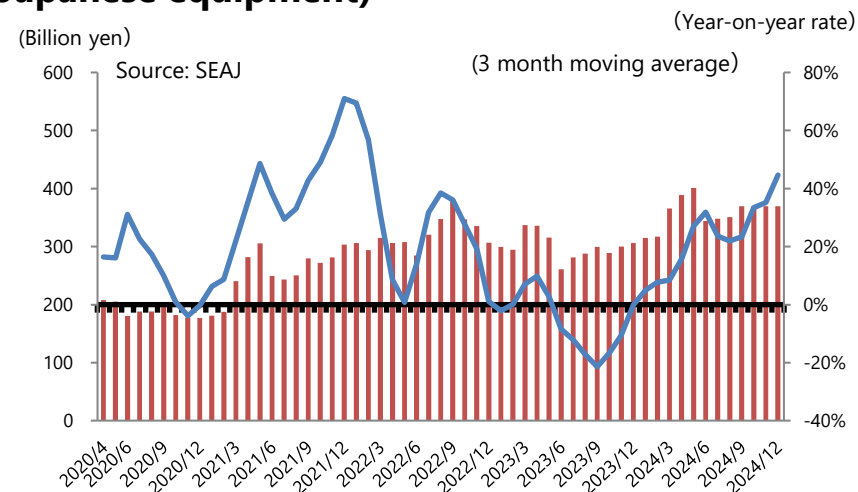


Trends in Industrial Machinery and Construction Machinery Market

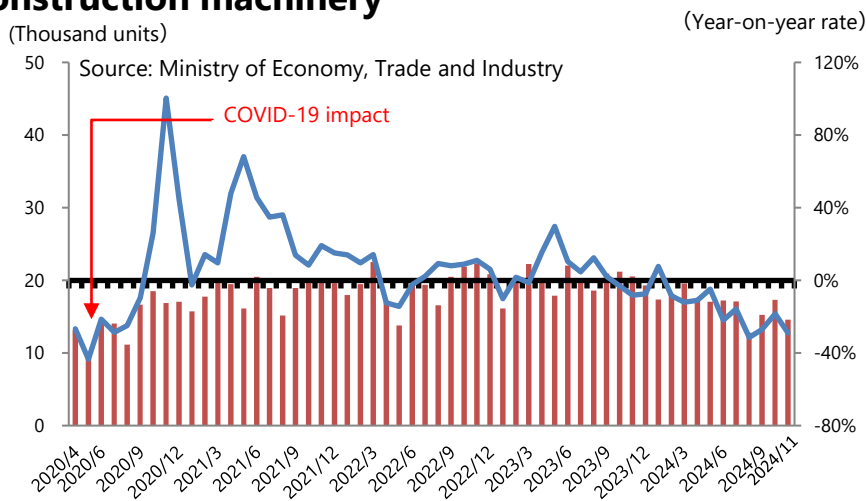
Sales amount of machine tool orders(Japan)



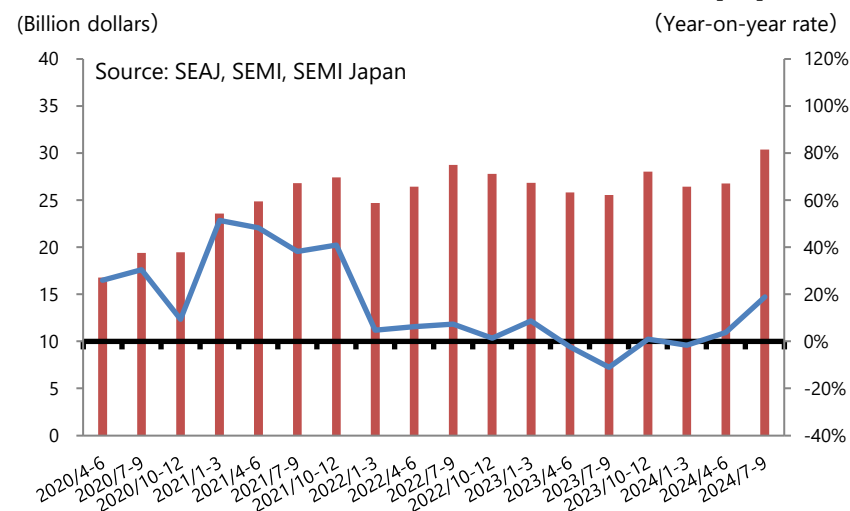
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery

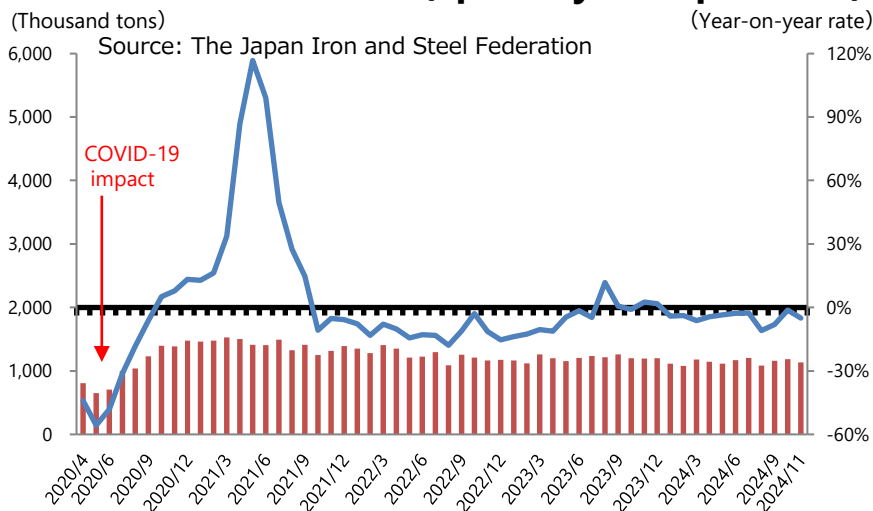


Sales amount of world wide semiconductor equipment

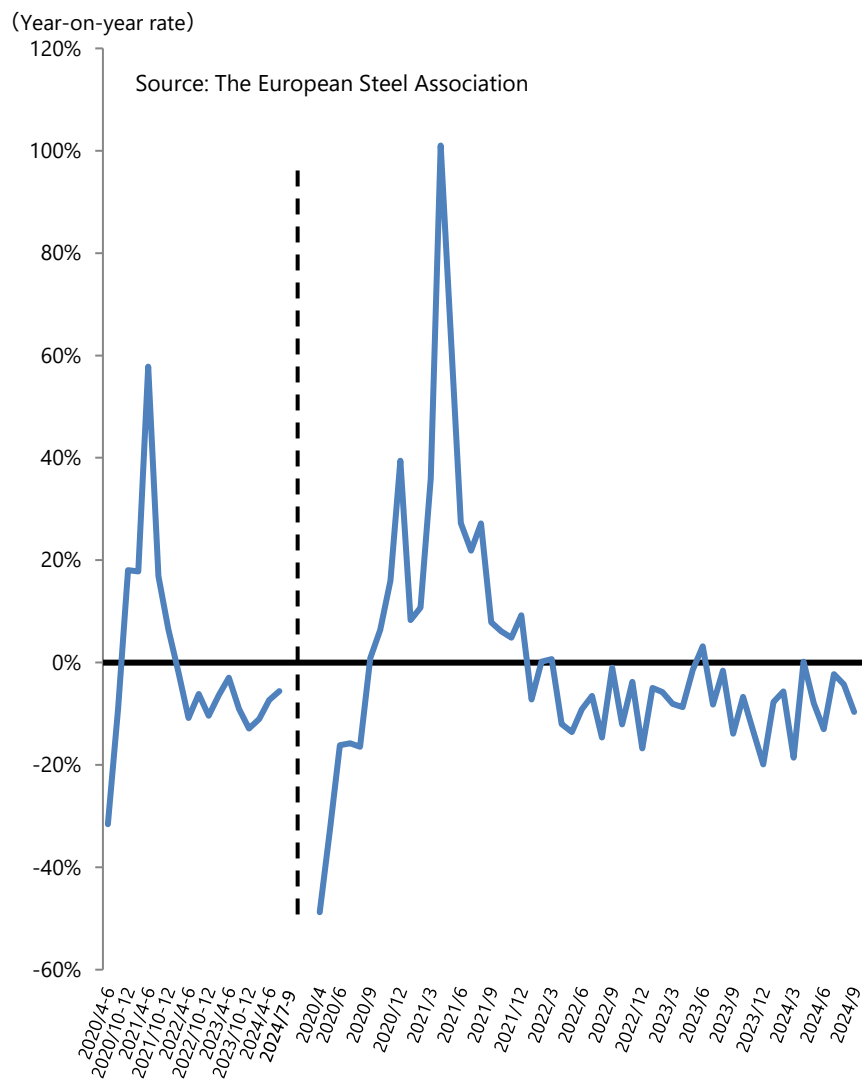


Trends in Special Steel Market

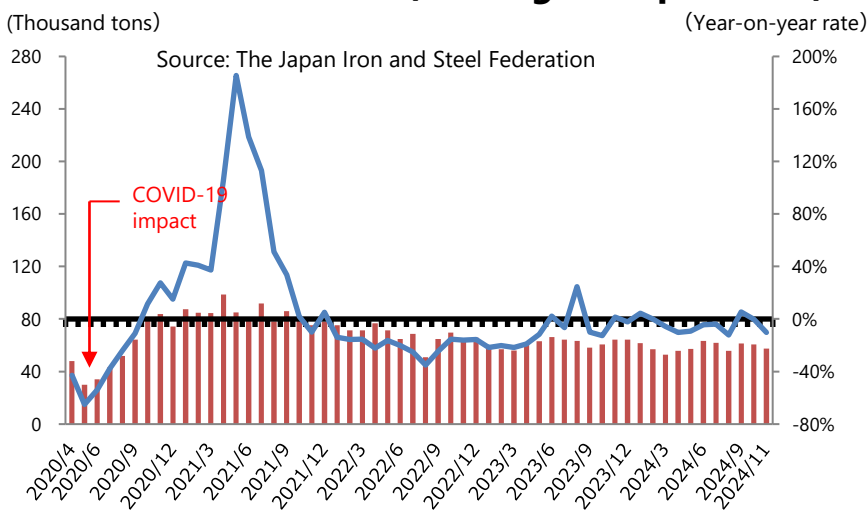
Volume of order booked (Specialty steel products)



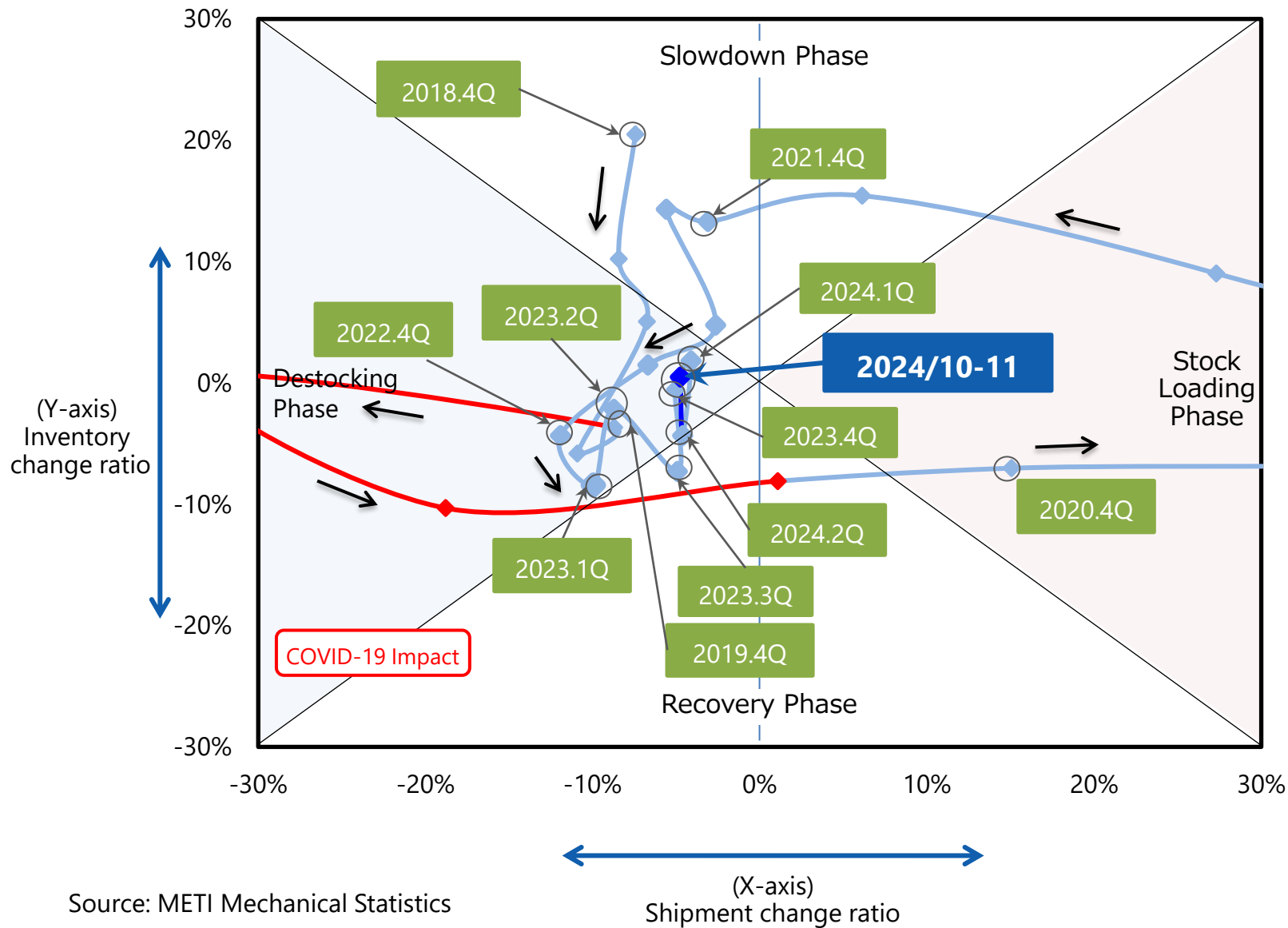
Volume of European deliveries : Bars and Flats / Alloy Engineering Steel



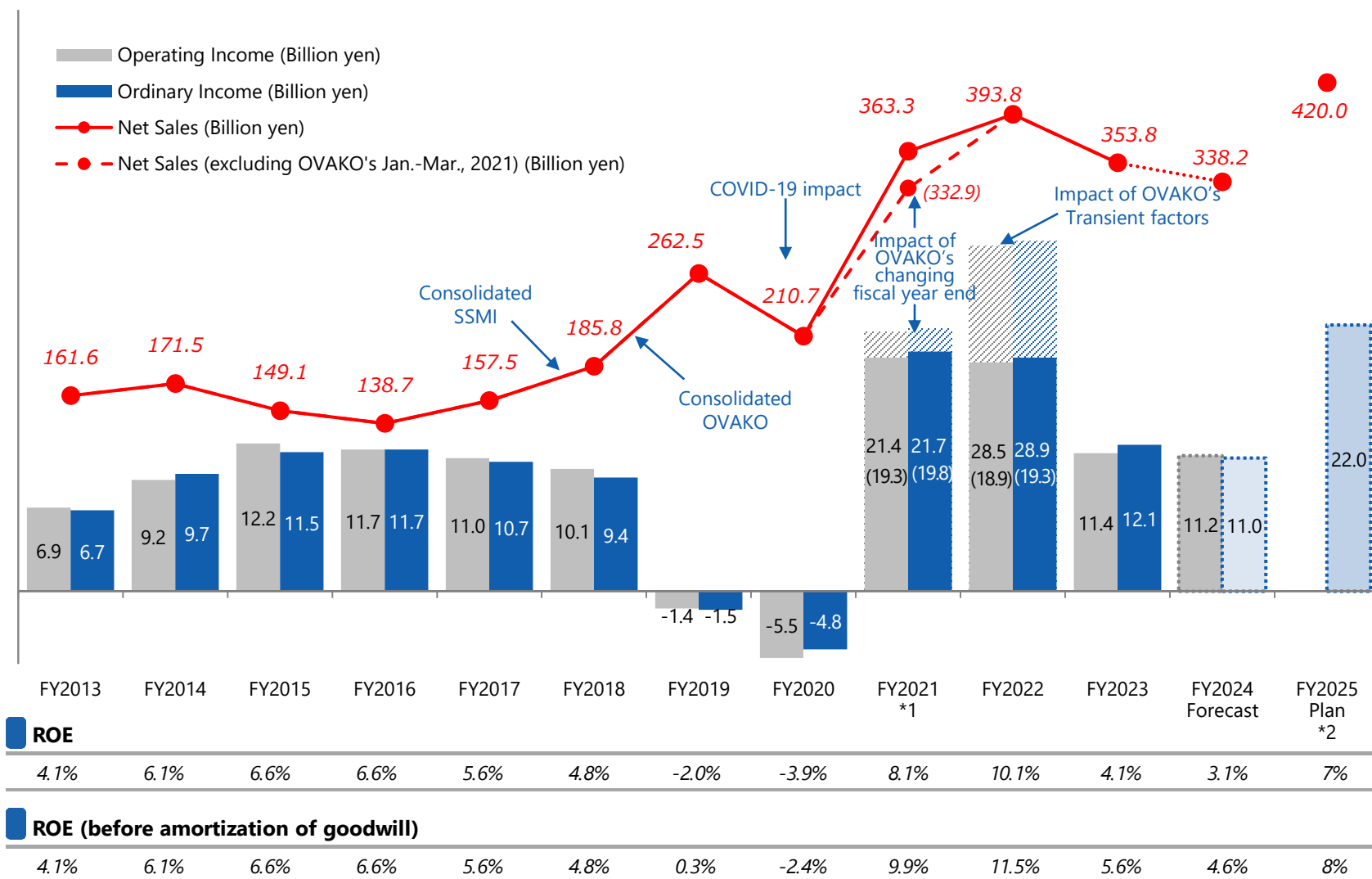
Volume of order booked (Bearing steel products)



Inventory Circulation Diagram (Bearing Products)



Net Sales and Income (Fiscal)

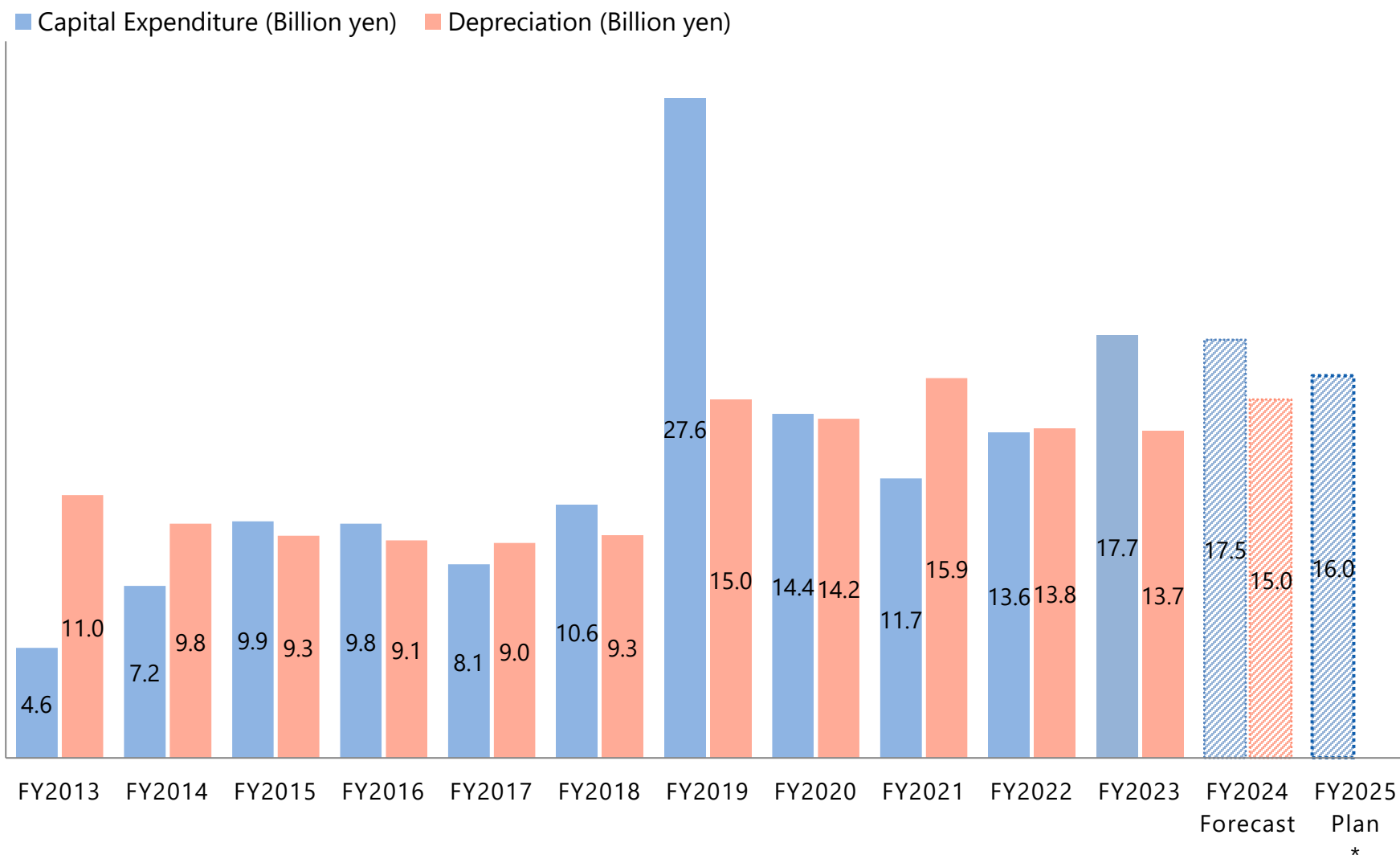


*1 FY2021 reflects numbers of OVAKO by 15 months from Jan. 2021 to Mar. 2022.

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

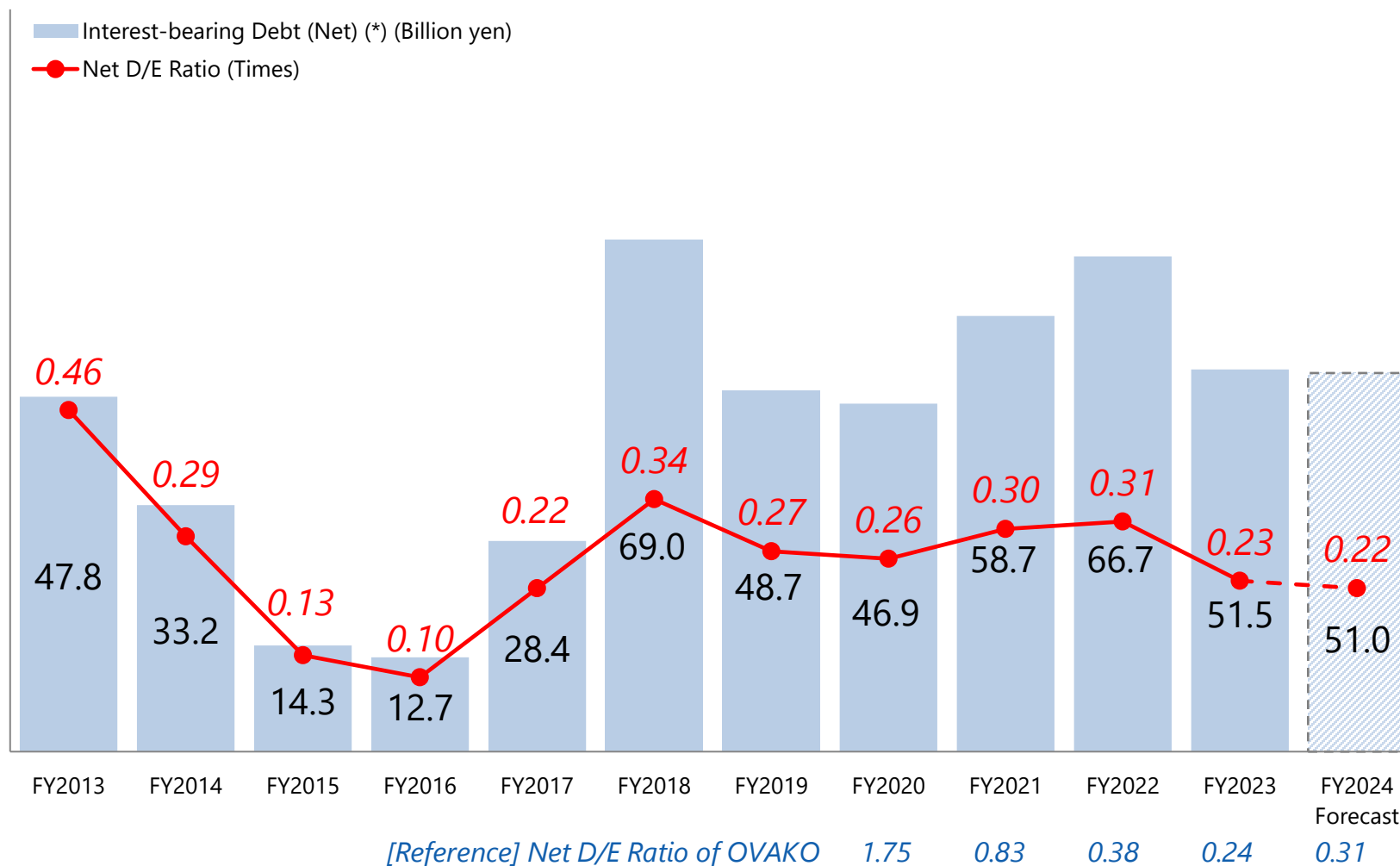
*3 SSMI has been consolidated since FY2018/2Q, and OVAKO has been consolidated since FY2019/1Q for profit and loss.

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 (FY2024/1~3Q vs. FY2023/1~3Q)

(Unit: Billion yen, Yen per share)

	FY2024/1~3Q	FY2023/1~3Q	Change (B) → (A)	
	(A)	(B)	Amount	Ratio (%)
Net Sales	247.0	269.0	-21.9	-8.2
(Sanyo)	122.7	139.3	-16.6	-11.9
(OVAKO)	100.1	106.9	-6.8	-6.4
(SSMI)	17.4	17.1	+0.3	+1.6
Operating Income	3.8	8.8	-5.1	-57.3
(Sanyo)	4.5	3.5	+1.0	+30.2
(OVAKO)	1.4	6.7	-5.3	-78.7
(SSMI)	0.9	0.7	+0.1	+15.6
(Amortization of goodwill)	-2.6	-2.4	-0.2	—
Ordinary Income	3.2	9.1	-5.9	-65.0
(Sanyo)	8.0	7.6	+0.3	+4.6
(OVAKO)	0.8	6.1	-5.3	-87.5
(SSMI)	0.6	0.5	+0.1	+24.2
(Amortization of goodwill)	-2.6	-2.4	-0.2	—
Net Income^{*1}	1.2	6.3	-5.1	-80.4
Earnings Per Share	22.8	115.9	-93.1	-80.4
Operating Income before amortization of goodwill	6.3	11.2	-4.9	-43.7
Ordinary Income before amortization of goodwill	5.7	11.5	-5.8	-50.1
Net Income before amortization of goodwill	3.8	8.7	-4.9	-56.4
Earnings Per Share before amortization of goodwill	69.8	160.1	-90.4	-56.4
Sales Volume (Thousand tons)	1,004	1,092	-88	-8.1
(Sanyo)	556	629	-73	-11.7
(OVAKO)	365	376	-11	-3.0
(SSMI)	83	860	-3	-3.5

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

Details of Statements of Income

(FY2024 Forecast Announced on January 31, 2025 vs. FY2023)

(Unit: Billion yen, Yen per share)

	FY24/1H	FY24/2H	FY2024 (Forecast)	FY2023	Change (D) → (C)	
	Result (A)	Forecast (B)	(C)=(A)+(B)	(D)	Amount	Ratio (%)
Net Sales	168.4	169.8	338.2	353.8	-15.6	-4.4
(Sanyo)	80.8	85.1	165.9	178.2	-12.3	-6.9
(OVAKO)	70.8	66.2	137.0	144.0	-7.0	-4.9
(SSMI)	12.0	13.0	25.0	22.9	+2.1	+9.2
Operating Income	3.1	8.1	11.2	11.4	-0.2	-1.5
(Sanyo)	2.4	4.8	7.2	4.3	+2.9	+68.4
(OVAKO)	2.4	2.1	4.5	8.9	-4.4	-49.6
(SSMI)	0.6	0.8	1.4	1.0	+0.4	+41.7
(Amortization of goodwill)	-1.7	-1.7	-3.4	-3.2	-0.2	—
Ordinary Income	2.6	8.4	11.0	12.1	-1.1	-9.2
(Sanyo)	5.3	6.2	11.5	9.0	+2.5	+28.3
(OVAKO)	2.1	1.4	3.5	8.4	-4.9	-58.5
(SSMI)	0.4	0.6	1.0	0.7	+0.3	+49.4
(Amortization of goodwill)	-1.7	-1.7	-3.4	-3.2	-0.2	—
Net Income ^{*1}	1.5	5.5	7.0	9.1	-2.1	-22.7
Earnings Per Share	28.2		128.5	166.2	-37.7	-22.7
Operating Income before amortization of goodwill	4.8	9.8	14.6	14.6	-0.0	-0.1
Ordinary Income before amortization of goodwill	4.3	10.1	14.4	15.4	-1.0	-6.3
Net Income before amortization of goodwill	3.2	7.2	10.4	12.3	-1.9	-15.5
Earnings Per Share before amortization of goodwill	59.6		190.9	225.8	-34.9	-15.5
Sales Volume (Thousand tons)	683	699	1,382	1,429	-47	-3.3
(Sanyo)	367	390	757	806	-49	-6.0
(OVAKO)	259	250	509	508	+1	+0.3
(SSMI)	56	59	116	115	+1	+0.5

*1 Profit attributable to owners of parent

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

Details of Statements of Income

(FY2024 Revised Forecast announced on January 31, 2025 vs. Previous Forecast)

(Unit: Billion yen, Yen per share)

	Revised Forecast (Announced on Jan. 31, 2025)			Previous Forecast (Announced on Oct. 31, 2024)		Change (D) → (C)
	FY24/1H Result (A)	FY24/2H Forecast (B)	FY2024 (C)=(A)+(B)	FY24/2H Forecast	FY2024 (D)	
	Sales Volume	168.4	169.8	338.2	173.6	342.0
(Sanyo)	80.8	85.1	165.9	81.2	162.0	+3.9
(OVAKO)	70.8	66.2	137.0	74.2	145.0	-8.0
(SSMI)	12.0	13.0	25.0	13.0	25.0	—
Operating Income	3.1	8.1	11.2	10.1	13.2	-2.0
(Sanyo)	2.4	4.8	7.2	4.8	7.2	—
(OVAKO)	2.4	2.1	4.5	4.1	6.5	-2.0
(SSMI)	0.6	0.8	1.4	0.8	1.4	—
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.7	-3.4	—
Ordinary Income	2.6	8.4	11.0	10.4	13.0	-2.0
(Sanyo)	5.3	6.2	11.5	6.2	11.5	—
(OVAKO)	2.1	1.4	3.5	3.4	5.5	-2.0
(SSMI)	0.4	0.6	1.0	0.6	1.0	—
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.7	-3.4	—
Net Income ^{*1}	1.5	5.5	7.0	8.0	9.5	-2.5
Earnings Per Share	28.2		128.5		174.4	-45.9
Operating Income before amortization of goodwill	4.8	9.8	14.6	11.8	16.6	-2.0
Ordinary Income before amortization of goodwill	4.3	10.1	14.4	12.1	16.4	-2.0
Net Income before amortization of goodwill	3.2	7.2	10.4	9.7	12.9	-2.5
Earnings Per Share before amortization of goodwill	59.6		190.9		236.8	-45.9
Sales volume (Thousand tons)	683	699	1,382	725	1,408	-26
(Sanyo)	367	390	757	390	757	—
(OVAKO)	259	250	509	276	535	-26
(SSMI)	56	59	116	59	116	—

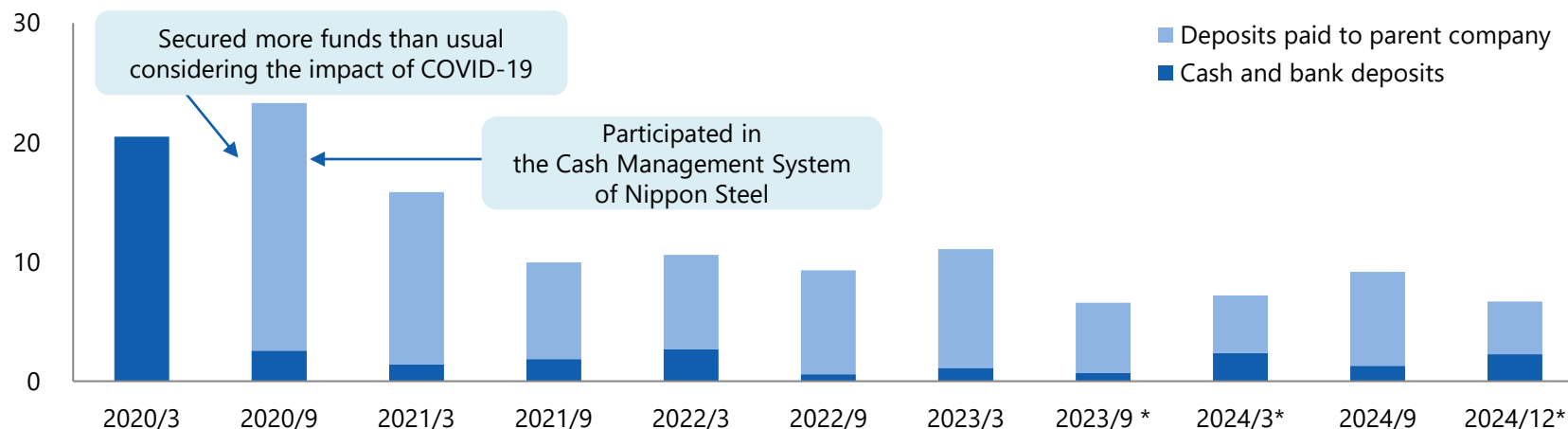
*1 Profit attributable to owners of parent *2 The consolidated accounting period for SSMI is Jan. to Dec.

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)

(Billion yen)



* 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.

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