

Sanyo Special Steel Co., Ltd.
IR Briefing Regarding the Business Results for the FY2022
Q&A Summary

Date : Friday, April 28, 2023

Speaker : Katsuhiro Miyamoto, Representative Director and President

Kozo Takahashi, Director, Member of the Board and Managing Executive Officer

Takashi Yatsunami, Managing Executive Officer

** Please be noted that the actual Q&A session was in Japanese and this English translation is prepared for reference purpose only.*

Q . Could you tell us the actual number of transient factors included in ordinary income of OVAKO and the actual number of ordinary income excluding transient factors for every quarter?

A . The amount of transient factors was 2.9 billion yen in FY22/1Q, 2.0 billion yen in 2Q, 2.6 billion yen in 3Q and 2.1 billion yen in 4Q. The actual amount of ordinary income excluding transient factors was 4.4 billion yen in FY22/1Q, -0.3 billion yen in 2Q, 2.4 billion yen in 3Q and 5.1 billion yen in 4Q respectively.

Q . Operating income of Sanyo in FY2022 was 8.7 billion yen and ordinary income was 10.2 billion yen. In FY2023, operating income is forecasted to be 11.0 billion yen and ordinary income to be 15.0 billion yen. Could you tell us the reasons why the gap between operating income and ordinary income in the forecast for FY2023 is widening from FY2022?

A . In FY2023, non-operating profit will increase due to expected dividend income from OVAKO, which did not arise until FY2022. We have decided to start dividend payment from OVAKO as its D/E ratio has improved. Dividends received from subsidiaries are eliminated in consolidated accounting, so there will be no impact on consolidated numbers.

Q . OVAKO's sales margin and product mix, raw material and fuel price improved by 2 billion yen from FY22/3Q to FY22/4Q. Could you tell us whether the impact of this spread improvement will continue in FY2023?

A . Although there were positive factors such as lower energy costs in FY22/4Q compared to the previous quarter, negative impact such as the risk of sales price adjustment and deterioration of product mix for sales promotion are included in the forecast for FY23/4Q.

Q . Could you tell us how you see demand trends in the European market?

A . We consider demand in Europe has bottomed out slightly earlier than in Japan, but the pace of recovery is still stagnant, and we believe that it will gradually recover towards the second half of FY2023.

Q . You said the forecast for sales volume of Sanyo in FY2023 is same level as FY2022, but could you tell us how you see trend of auto production?

A . We consider destocking in the supply chain progressed in FY2022 but we expect that recovery of actual demand will take some time and it will only pick up after the summer of FY2023.

Q . Sanyo's profit and loss in FY2023 includes the time lag of energy surcharge (+3.0 billion yen). Would it be correct to measure the actual based profit and loss of Sanyo by excluding the time lag of energy surcharge?

A . We consider there will be some positive time lag effect in FY2023 as the energy cost increase in the previous period will be reflected to the sales price of FY2023, as you mentioned. On the other hand, periodic profit and loss includes various impacts and fluctuations, such as time lag of iron scrap surcharge.

Q . Could you tell us whether TSE's request has prompted you to decide disclosing initiatives to improve PBR? Could you tell us the timing of disclosure as well?

A . As a listed company, we always have endeavored to improve the PBR. Based on further internal discussions, we aim to disclose our ideas and thoughts at the next financial presentation end July.

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