

Sanyo Special Steel Co., Ltd.
Revision of the 2025 Mid-Term Management Plan and
IR Briefing Regarding the Business Results for the FY2023 1Q
Q&A Summary

Date : Friday, July 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 whether OVAKO's transient factors of 1.6 billion yen in FY23/1Q were included in the forecast at the beginning of this financial year? If not, may we consider the ordinary income forecast of 20 billion yen for FY2023 to be softening at actual basis, compared to the previous forecast, or do you take a rather conservative view for FY23/2H?

A . OVAKO's transient factors of 1.6 billion yen occurred during FY23/1Q were not included in the forecast at the beginning of this financial year. Some impact of price differences among iron scrap markets and of foreign exchange rates occurred in FY23/1Q. Regarding annual business forecast, we have conservatively revised sales volume in FY23/2H considering the current relatively stagnant market activities. In addition, some risk of sales price adjustment is included in the forecast for FY23/4Q. If the energy costs would remain at current reasonable level, there is a possibility that profit may improve compared to the current forecast.

Q . In July 2023, you have added consolidated dividend payout ratio (DPR) of approx. 35% to your dividend policies. Which of the dividend policies, namely DPR of 35% or DPR of 30% excluding goodwill amortization, would you give priority to?

A . We will consider DPR of 35% as basis, and depending on actual profit results, will comprehensively take DPR excluding goodwill amortization, dividend per share level and necessary funds for future investment into consideration, when deciding the individual dividend payout.

Q . Regarding decrease of OVAKO's sales volume, has premium price of OVAKO's CN steel caused losing market share due to price disadvantage to competitors?

A . We recognize the demand of CN steel from customers to be robust and increasing in Europe. Decrease of the sales volume is not due to any loss of market share, but due to stagnant market environment.

Q . Regarding OVAKO's margin deterioration from FY22/4Q to FY23/1Q, could you tell us the details? It seems this has not happened before.

A . No particular and noteworthy events or issues have happened. It was due to multiple factors such as inflationary cost impact, change in product mix and negative impact on time lag of iron scrap surcharge.

Q . Regarding revision of 2025 Mid-Term Management Plan, could you tell us the breakdown of changes in profit?

A . Impact of margin improvement is included for both Sanyo and OVAKO. In addition, the sales volume forecast was revised considering the current view and expectation of sales expansion and impact of shift to EVs.

Q . Could you tell us how you view Sanyo's margin improvement and sales volume including destocking impact in the supply chain, from FY23/2Q onward?

A . Regarding margin improvement, positive impact is expected due to progress in passing on the energy cost increase during FY2022 to sales prices. As for sales volume, our business has a relatively long supply chain, and sales volume increase would occur depending on progress of the destocking. At this moment, we consider the progress to be quite dormant, which may be somewhat conservative.

Q . May we assume that cash will increase due to profit improvement and progress of sale of cross-shareholdings, mentioned in your revised mid-term management plan. If yes, how do you consider allocating the additional cash? What are your thoughts on mid- to long-term future growth scenarios as well?

A . Just improving our financial position would not be sufficient from perspective of corporate growth. One possibility would be to expand OVAKO's green hydrogen plant, contributing to CN, to other business locations. We have been and will be always exploring and considering opportunities to enhance corporate value and global presence.

This document does not constitute an offer or invitation to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. No warranty is given as to the accuracy or completeness of the information contained herein. Investors and prospective investors in securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such company and the nature of the securities. Any decision to purchase securities in the context of a proposed offering, if any, should be made solely on the basis of information contained in an offering circular published in relation to such an offering. By participating in this document, you agree to be bound by the foregoing limitations. This document contains statements that constitute forward looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Sanyo Special Steel Co., Ltd. or its officers with respect to its financial condition and results of operations, including, without limitation, future loan loss provisions and financial support to certain borrowers. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward looking statements as a result of various factors. The information contained in this document, is subject to change, including but not limited, to change of economic conditions, financial market conditions, and change of legislation / government directives.

Any statements in this document, other than those of historical facts, are forward-looking statements about future performance of Sanyo Special Steel Co., Ltd. and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.