

Overview of Business Results

for the 1st Half of Fiscal Year Ending March 31, 2025
(April 2024 → September 2024)

October 31, 2024

SANYO SPECIAL STEEL Co., Ltd.

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



Santo-kun
(Our mascot)

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1. FY2024 1st Half Results and FY2024 Forecast

Outline of Statements of Income

Ordinary Income : 2.6 billion yen (-5.2 billion yen against FY2023/1H)

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)

	FY2024/1H (A)		FY2023/1H (B)		Change (B) → (A)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net Sales	168.4	100.0	185.3	100.0	-16.8	-9.1
Operating Income	3.1	1.8	7.3	4.0	-4.2	-57.6
Ordinary Income	2.6	ROS 1.6	7.8	ROS 4.2	-5.2	-66.3
(Sanyo)	5.3	6.6	6.9	7.2	-1.6	-22.9
(OVAKO)	2.1	2.9	5.1	6.8	-3.0	-59.4
(SSMI)	0.4	3.2	0.3	2.8	+0.1	+25.0
(Amortization of goodwill)	-1.7	—	-1.6	—	-0.1	—
Net Income^{*1}	1.5	0.9	5.2	2.8	-3.7	-70.7
Net Income before amortization of goodwill	3.2	1.9	6.8	3.7	-3.6	-52.4
Sales Volume (Thousand tons)	683 (per month)	113.8	739 (per month)	123.2	-56 (per month)	-9.4
(Sanyo)	367	61.2	427	71.2	-60	-10.0
(OVAKO)	259	43.2	256	42.6	+4	+0.6
(SSMI)	56	9.4	56	9.4	+0	+0.0

*1 Profit attributable to owners of parent

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

Business Environment

Demand Trends

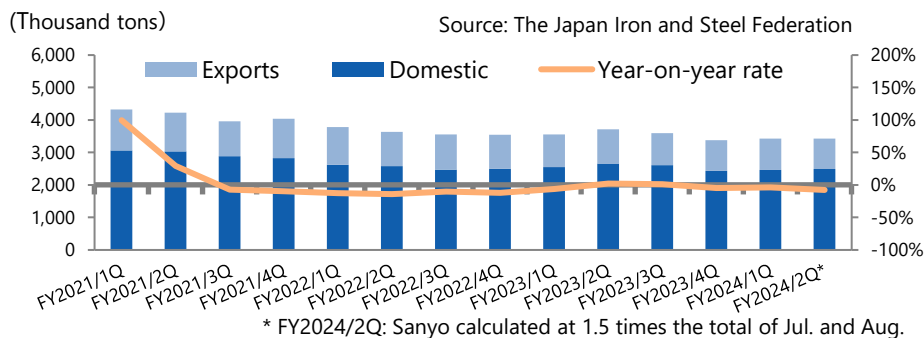
Japan : Demand from automotive sector is recovering after hitting bottom in FY2024/1Q, as effects of production and shipment halts have subsided. Even though there are some delays in recovery in industrial machinery sector, overall demand is expected to maintain a gradual upward trajectory.

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 gradual demand recovery in FY2024/2H.

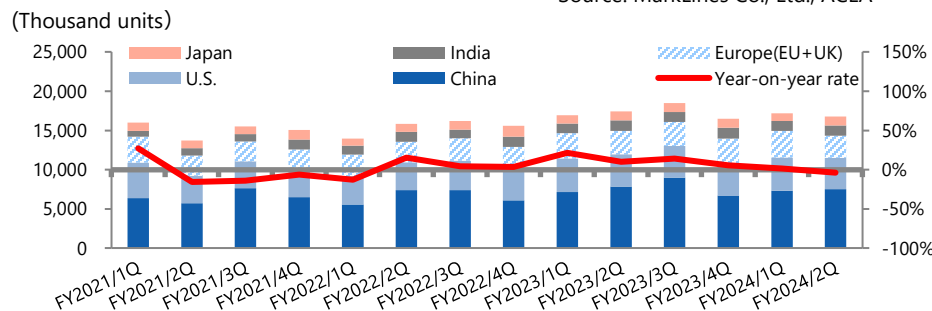
Raw Material and Fuel Prices

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.

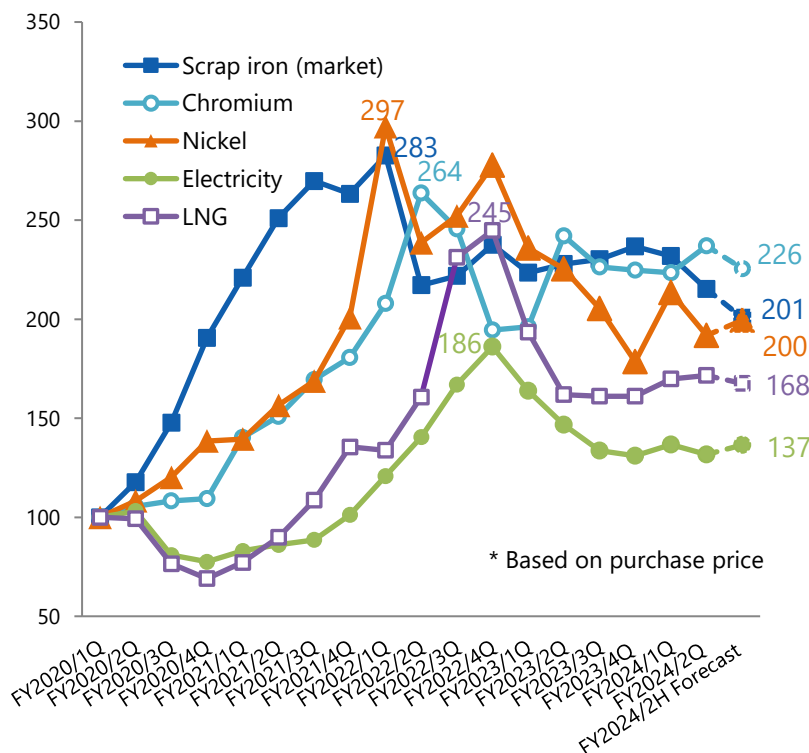
1. Volume of Order Booked (Specialty Steel Products)



2. Units of Automobile Sales



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

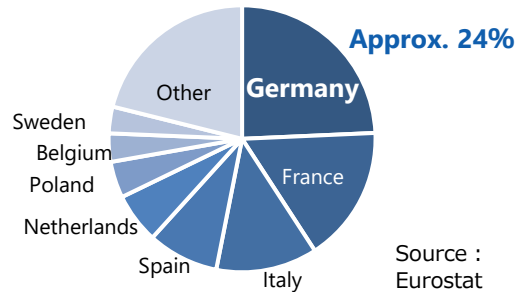


Business Environment in Europe

Germany's position in the EU economy

Germany is the largest economy in the EU, accounting for over 20% of the EU's GDP.

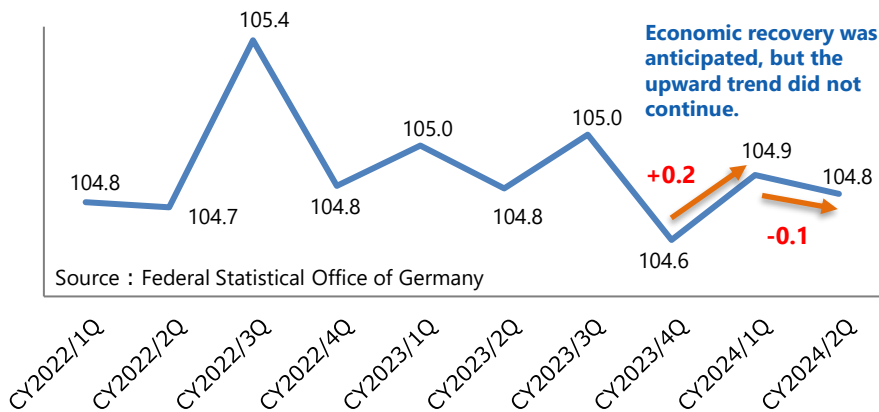
【GDP percentage by EU country (FY2023)】



Trends in Germany's GDP

Germany's GDP for the period from April to June 2024 decreased by 0.1% compared to the previous quarter. Although the country experienced GDP growth in January-March 2024, this positive momentum did not continue.

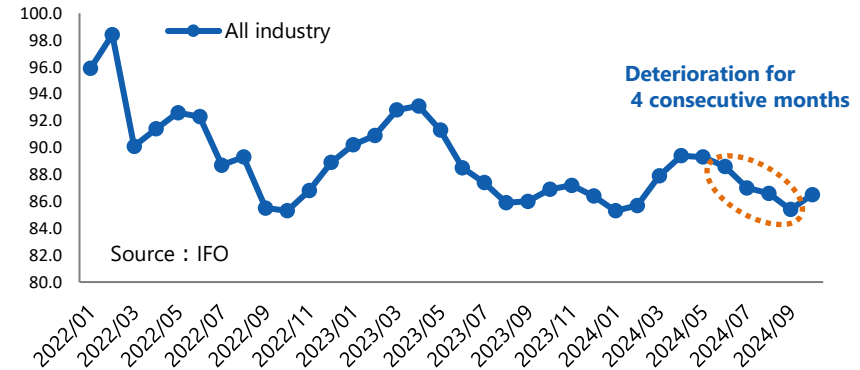
【Germany's GDP (CY2020=100)】



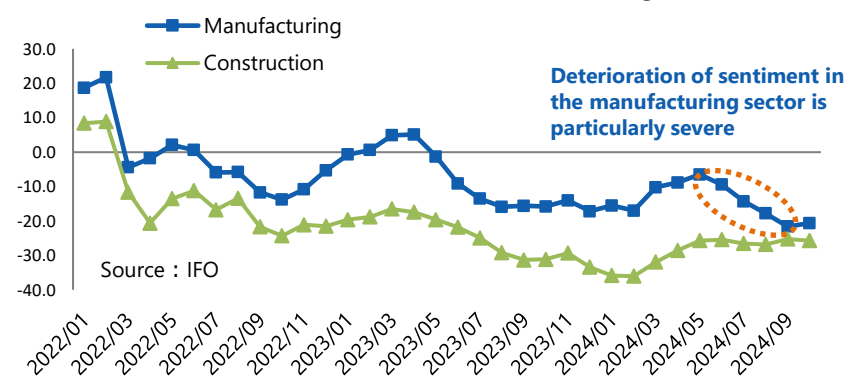
German business climate

The German Business Climate Index has deteriorated for 4 consecutive months since June 2024, with sentiment worsening particularly in the manufacturing sector. Although the index showed a moderate improvement in October, overall sentiment remains weak.

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



【German business climate index1】 (Manufacturing · Construction)

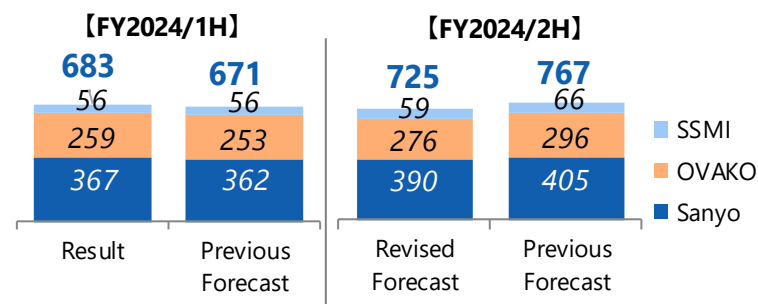


Business Forecast for FY2024 (Announced on Oct. 31, 2024)

Ordinary Income Forecast for FY2024 : 13.0 billion yen (+0.9 billion yen against FY2023)

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

(Reference) Sales Volume (Thousand tons/H)



(Unit: Billion yen)

	Revised Forecast (A) (Announced on Oct. 31, 2024)			Previous Forecast (B) (Announced on Jul. 30, 2024)			Change (B) → (A)		
	1H Result	2H	FY	1H	2H	FY	1H	2H	FY
Net Sales	168.4	173.6	342.0	165.0	180.0	345.0	+3.4	-6.4	-3.0
Operating Income	3.1	10.1	13.2	2.6	9.7	12.3	+0.5	+0.4	+0.9
Ordinary Income	2.6	10.4	13.0	2.5	10.5	13.0	+0.1	-0.1	—
(Sanyo)	5.3	6.2	11.5	4.7	5.8	10.5	+0.6	+0.4	+1.0
(OVAKO)	2.1	3.4	5.5	2.3	4.2	6.5	-0.2	-0.8	-1.0
(SSMI)	0.4	0.6	1.0	0.4	0.6	1.0	-0.0	+0.0	—
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.7	-1.7	-3.4	-0.0	+0.0	—
Net Income ^{*1}	1.5	8.0	9.5	1.2	8.3	9.5	+0.3	-0.3	—
ROE (%)			4.1			4.1			—
Net Income before amortization of goodwill	3.2	9.7	12.9	2.9	10.0	12.9	+0.3	-0.3	—
ROE (%)			5.6			5.6			—

*1 Profit attributable to owners of parent

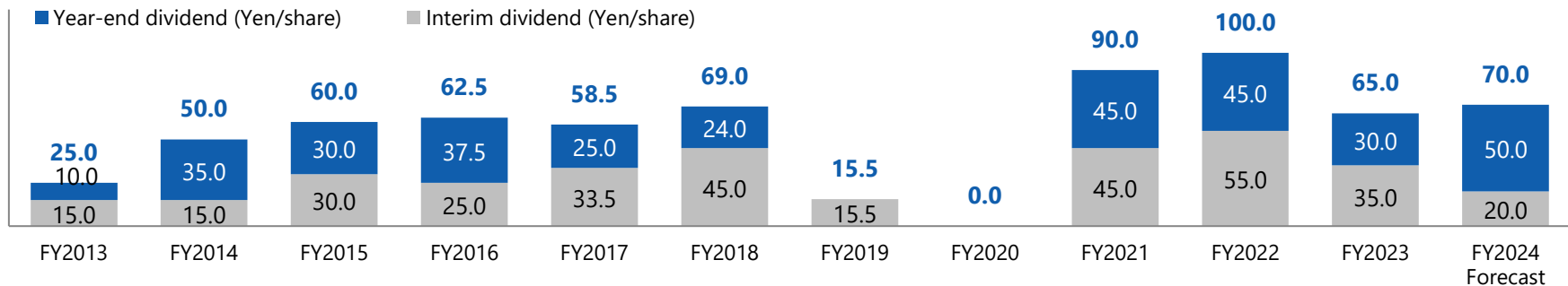
*2 The consolidated accounting period for SSMI is Jan. to Dec.

Major assumptions after October 2024

- Scrap iron 45,000 yen/t (H2 market price in Himeji area)
- Crude oil (Dubai) 80\$/BL · Exchange rate 145 yen/US\$, 160 yen/€

Interim Dividend and Dividend Forecast for FY2024 (announced on October 31, 2024)

			Revised Forecast (A) (Announced on Oct. 31, 2024)			Previous Forecast (B) (Announced on Jul. 30, 2024)			Change (B) → (A)		
			1H Result	2H Forecast	FY	1H	2H	FY	1H	2H	FY
Earnings Per Share	A	Yen/share	28.2		174.4	22.0		174.4	+6.2		—
Earnings Per Share before amortization of goodwill	B	Yen/share	59.6		236.8	53.2		236.8	+6.4		—
Dividend	C	Yen/share	20.0	50.0	70.0	20.0	50.0	70.0	—	—	—
Payout Ratio	C/A	%	71.0		40.1	90.8		40.1	-19.8		—
	C/B	%	33.6		29.6	37.6		29.6	-4.0		—



<Dividend Policy>

Comprehensively considering dividend payout ratio, dividend per share and necessary funds for future investment, etc.

Consolidated dividend payout ratio:(In principle) approx. **35%**,
(Excluding goodwill amortization) approx. **30%**

2. ESG Update

ESG Update

Strengthen ESG Initiatives in 2025 Medium-term Management Plan

Achievement of Carbon Neutrality by 2050

- Group-wide promotion of “eco-processes,” “green energy utilization,” “eco-products,” and “eco-solutions”
- Acceleration of OVAKO’s leadership as front runner in carbon efficiency
- Enhancement of technology addressing the demand for high reliability in such fields as “EVs,” “wind power generation,” “railroads,” and “hydrogen society”
- Strengthening of group-wide initiatives under the Carbon Neutrality Promotion Committee chaired by the President

Enhancement of governance- and ESG-related initiatives, Appropriate disclosure

Acceleration of efforts to develop human resources and to improve employee engagement, in addition to diversity and health management

- Further promotion of women’s career advancement
- Reform of work styles and promotion of work-life balance
- Promotion of corporate health management

Addition of ESG indicators in executive compensation valuation

- 5 ESG indicators (CDP climate change score, health management rating, safety index, ratio of female managers and evaluation of board performance by outside directors) were added to numerical indicators for determining executive compensation.

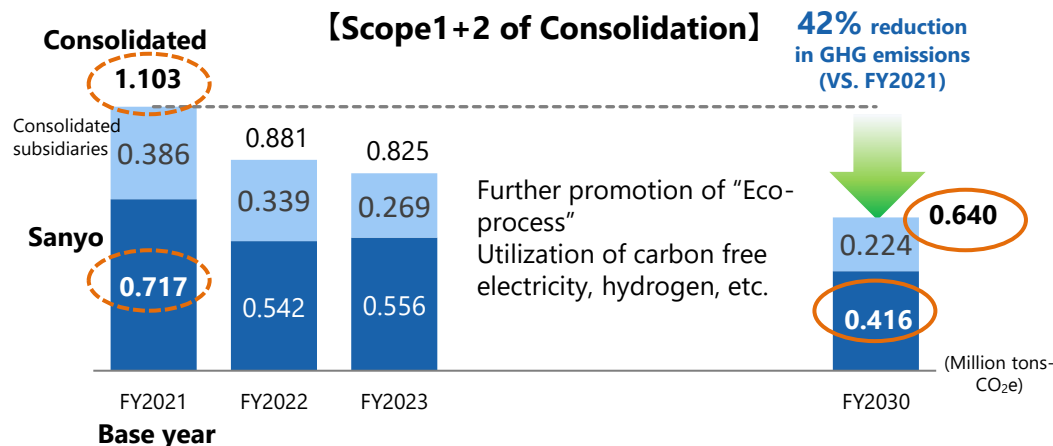
E : Commitment to SBT / Establishment of Scope 3 Targets

Commitment to SBT

- In April 2024, Sanyo signed a commitment letter to join Science Based Targets initiative, aiming to reduce GHG* emissions to a level consistent with requirements by the Paris Agreement. Sanyo also announced its goal of acquiring SBT certificate within 2 years.

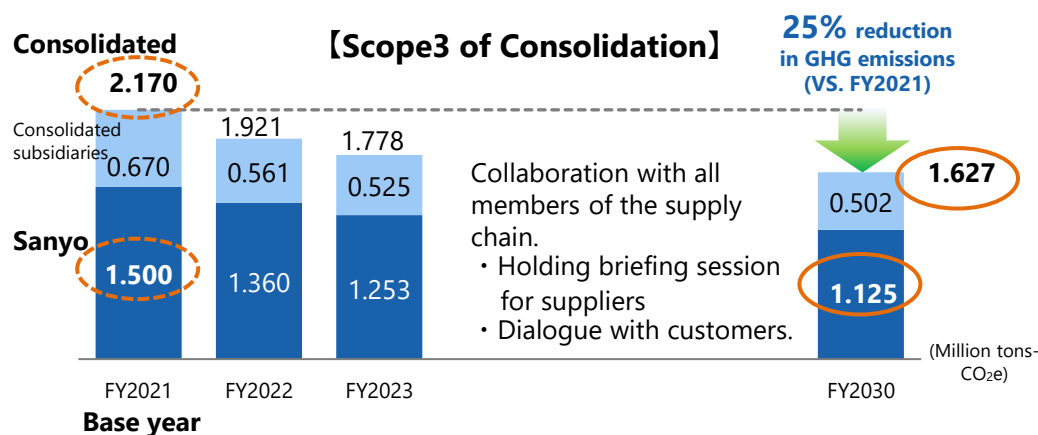
Revision of Scope 1+2 Targets

- In September 2024, Sanyo established a new consolidated Scope 1+2 target, aiming to reduce GHG emissions by 42 pct from the FY2021 level by FY2030. The goal aligns with the SBT initiative's Scope 1+2 certification criteria.



Establishment of Scope 3 Targets A world-leading initiative in the steel industry

- In September 2024, Sanyo also set a new consolidated Scope 3 emission reduction target, with the aim of obtaining SBT certification.
- Sanyo's target is to reduce GHG emissions by 25 pct from the FY2021 level by FY2030, consistent with the SBT initiative's Scope 3 certification criteria.



*GHG(Greenhouse Gas)

Abbreviation for Greenhouse Gas. It refers to the seven greenhouse gases that cause global warming: carbon dioxide (CO₂), methane (CH₄), dinitrogen monoxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃)

E : Achieving Carbon Neutrality by 2050 (Sanyo)

Utilization of renewable energy

Commencement of solar power generation

- Solar power generation equipment installed on the roofs of warehouse, was activated in July 2024.
- This solar power generation reduces GHG emissions by approximately 266 tons per year.



The solar power generation system can produce approximately 600,000 kWh/year, which is sufficient to cover the annual power consumption at the product warehouse and the head office.



A ceremony was held on July 31 in the presence of related parties.

Utilization of renewable energy from hydroelectric power plant

- In April 2024, Sanyo began purchasing renewable energy from hydroelectric power plants in Hyogo prefecture.
- Sanyo purchases 40 million kWh per year, the maximum amount of hydroelectric power available.
- GHG emissions from our Himeji site can be reduced by approximately 17,000 tons/year.

Joining “Environmentally Considerate Electric Furnace Steel Material Working Group”

- Sanyo has joined the “Environmentally Considerate Electric Furnace Steel Material Working Group”, participated by 28 other domestic electric furnace steel manufacturers.
- The working group is currently formulating guidelines for environment-friendly electric furnace steel materials.



CDP : FY2023

Climate Change Score Upgraded to “A-”

“A-” is the highest score among Japanese makers specialized in special steel production.

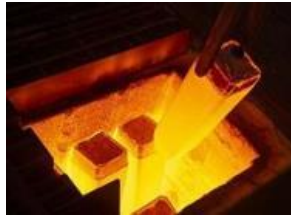
E : Achieving Carbon Neutrality by 2050 (OVAKO, SSMI)

OVAKO : A leading company in decarbonization

- In 2022, OVAKO, a leader in decarbonization, started marketing green steel, applying climate surcharges (premiums) to all its steel products.
- In September 2023, OVAKO inaugurated its' first fossil-free hydrogen plant. OVAKO is accelerating further efforts toward decarbonization.



Electrolyzer of hydrogen plant of OVAKO



In April 2020, OVAKO first in the world to heat steel using hydrogen.

SSMI : Utilization of solar power

- In 2018, SSMI acquired SBT certification.
- In September 2024, SSMI started receiving electricity from its' solar power JV with Tata Power, expected to reduce GHG emissions from manufacturing process by approx. 25%.



Solar power generation

Maximum annual reduction of 42,500 tons expected, approx. 25% of GHG from manufacturing process

As a green steel supplier, OVAKO signs groundbreaking partnership deal with FNsteel

- OVAKO has signed a major partnership with FNsteel regarding material supply.
- Reflecting its' ambitious decarbonization strategy towards sustainability, FNsteel has explored collaborations with suppliers of low carbon steel.

OVAKO emerged as the ideal partner in this venture owing to its proven track record in sustainability.



S : Initiatives to Expand Human Capital and enhance Collaboration with Customers

Development of global human resources

- 1-month overseas language training for new employees.
- Dispatches to OVAKO and SSMI, as well as promotion of interactions with employees of overseas affiliates.

Human rights due diligence

- Formulation of a human rights policy to ensure the respect of international human rights (The policy is disclosed on our website).
- Implementation of a survey to assess efforts to uphold human rights in supply chain.

Increase in the ratio of female executives

- In June 2024, MIYAGUCHI Aki was appointed as a new non-executive director and audit committee member, pushing up the number of female executives, including executive officers and advisors, at Sanyo to 4.

Promotion of corporate health management

- Holding of events to encourage employees to exercise, such as regular walking events and radio exercises at start of the day. Implementation of a no-smoking policy during working hours, etc.

Collaboration with suppliers

Equity investment in suppliers for stable procurement of scrap.

- As part of efforts to secure and expand procurement sources and preparation for a possible supply-demand tightening, we acquired a portion of shares of SANYO Corp., processor and distributor of steelmaking raw materials. With the capital participation in SANYO Corp., we became able to secure more than half of steel scrap requirement from companies with capital relationship (including the Nippon Steel Group).

Strengthening collaboration with suppliers for CN.

- Hosting several CN related meetings for key suppliers with regards to Scope 3 (Category 1). Supporting suppliers in evaluating their GHG emissions.



Overseas language training for new employees



G : Initiatives for Governance and Appropriate Disclosure

Mutual sale of cross shareholdings

- Mutual sales of cross-shareholdings have been executed to enhance market distribution of Sanyo shares and reduction of capital cost.

	<u>2023/Mar.</u>	→	<u>2024/Sep.</u>
Ratio of shares in circulation	37.5%	→	38.9%
Ratio of cross-shareholdings to net asset	approx. 5%	→	approx. 2%

Status of dialogue with shareholders and investors in FY2023

Activities	Frequency	Reference
Online financial results briefing for analysts and institutional investors	4 times	The President attended the briefings for 2Q and 4Q. IR materials disclosed simultaneously in Japanese and English. Briefing meeting minutes posted on our website.
Plant tour for shareholders	1 time	We invited shareholders owing more than 500 Sanyo shares as of March 31, 2023, to a plant tour, attracting 33 participants.
Ordinary general meeting of shareholder	1 time	
Individual meeting for analysts and institutional investors	103 times	Individual talks were conducted to communicate with a total of 184 shareholders and investors, including 50 overseas shareholders and investors.
ESG Update for institutional Investors	1 time	Explained our ESG initiatives to institutional investors The presentation was delivered by the President and other company executives. Presentation material, Q&A Summary and the recording of this session are available on our website.

Main agendas of the dialogue

- Financial results of Sanyo and affiliated companies
- Trends of major customer industries and segments
- Measures to offset rising raw material and fuel prices
- Initiatives for Carbon Neutrality etc.,

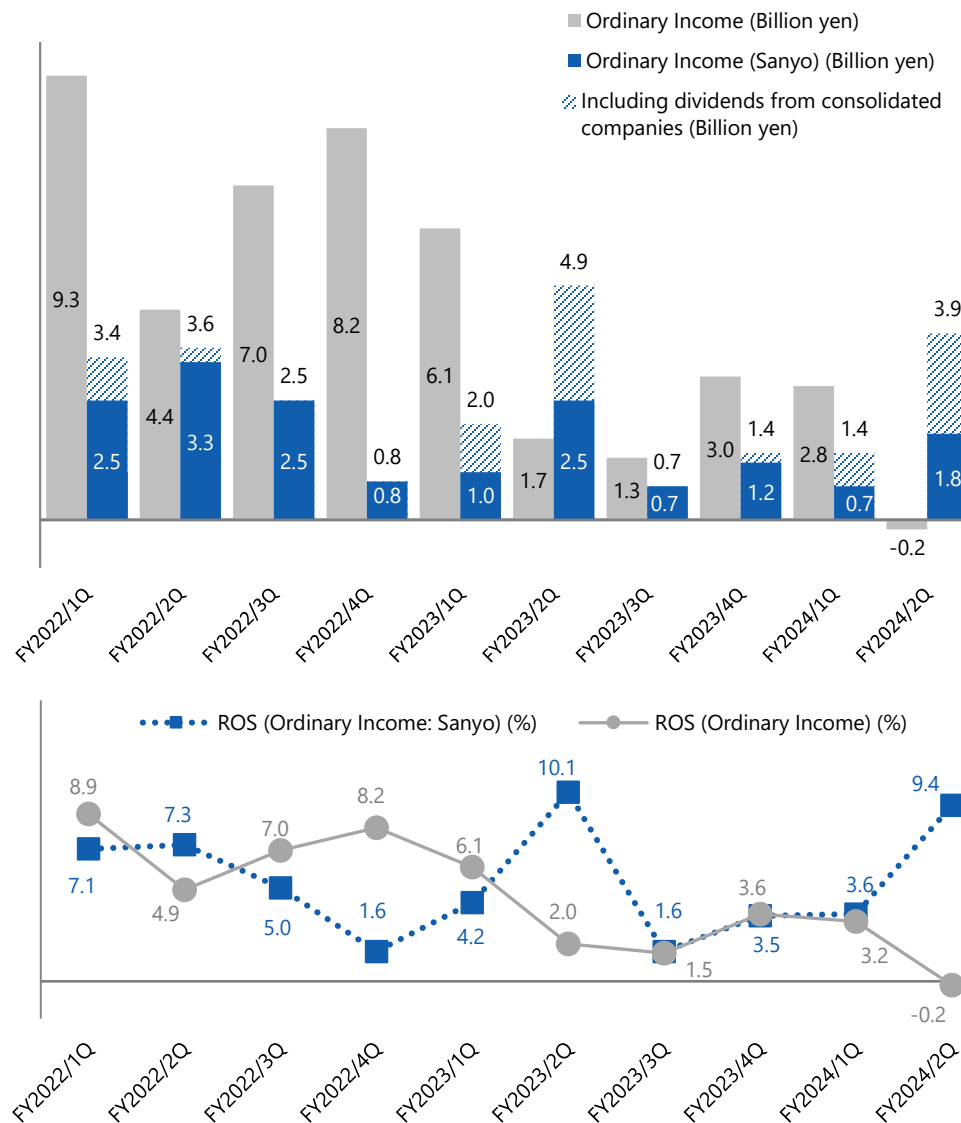
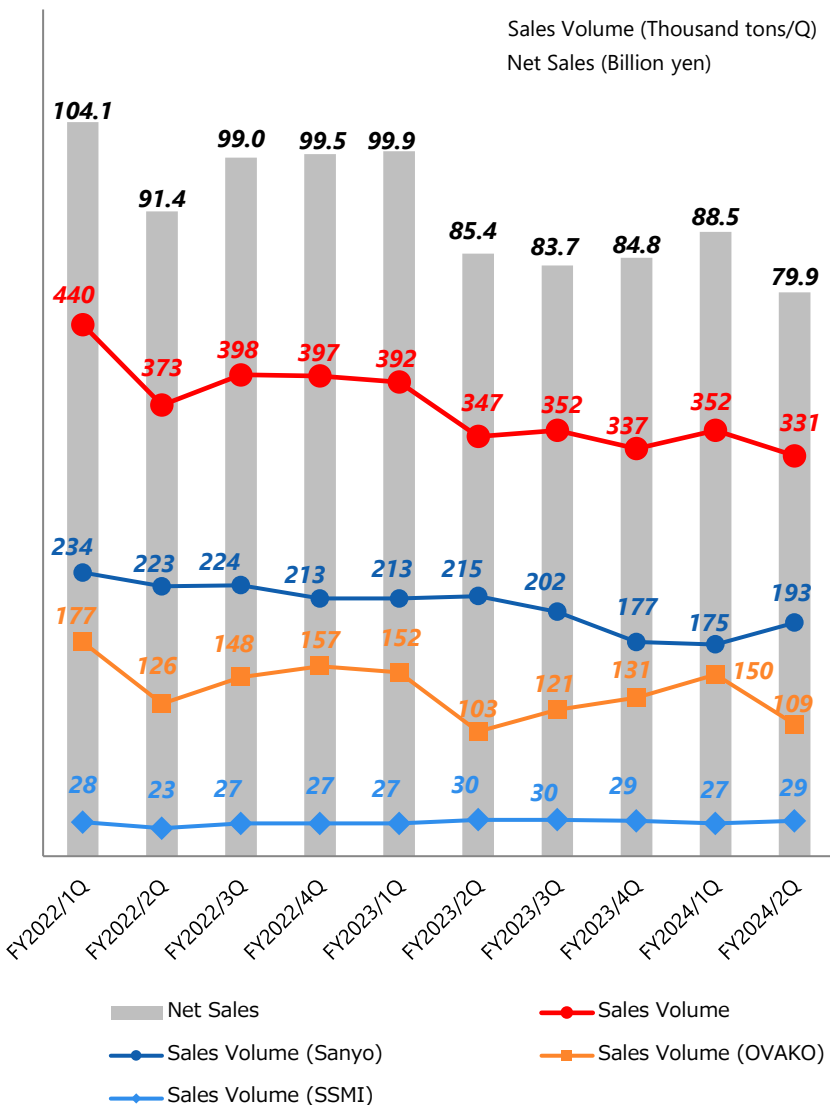
Status of feedback implementation

- Report on IR activities at the Board of Directors three times a year.
- Reporting and sharing comments from shareholders, analysts, and institutional investors to executives.

3. Details of Results and Forecast for FY2024

Net Sales and Income (Quarterly)

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



Earnings by Business Segment

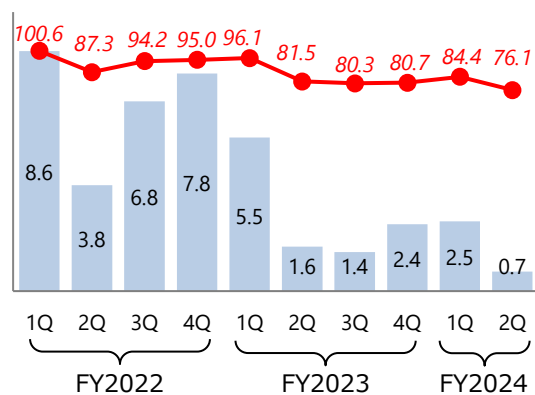
(Unit: Billion yen)

	FY2024/1H (A)			FY2023/1H (B)			Change (B) → (A)		
	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)	Net Sales	Operating Income	ROS (%)
Steel Products	160.5	3.3	2.0	177.6	7.1	4.0	-17.1	-3.8	-2.0
Metal Powders	2.8	0.6	20.5	2.7	0.5	17.2	+0.1	+0.1	+3.3
Formed and Fabricated Materials	8.9	-0.7	-8.4	9.0	-0.3	-3.1	-0.1	-0.5	-5.3
Sub-total	172.2	3.1	1.8	189.4	7.3	3.8	-17.2	-4.2	-2.0
Others	0.7	0.0	2.1	0.6	0.0	2.5	+0.1	-0.0	-0.4
Adjustments	-4.5	0.0	—	-4.7	0.0	—	+0.2	-0.0	—
Consolidated total	168.4	3.1	1.8	185.3	7.3	4.0	-16.8	-4.2	-2.2

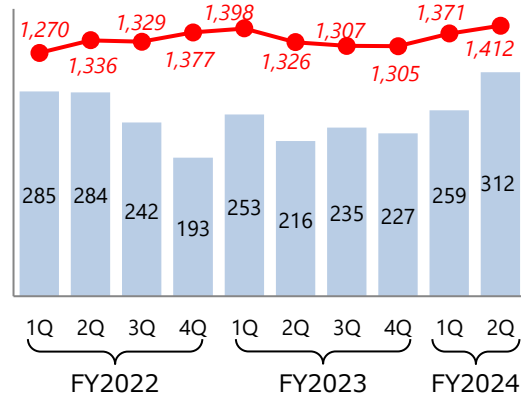
Change in Business Segment

Operating Income (Blue Bar) Sales (Red Line)

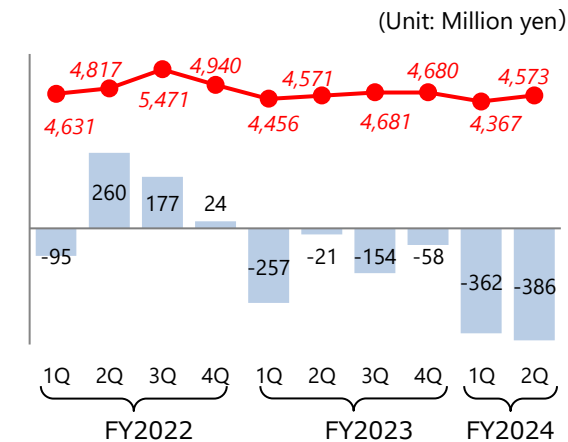
Steel Products (Unit: Billion yen)



Metal Powders (Unit: Million yen)



Formed and Fabricated Materials (Unit: Million yen)



Balance Sheets (Consolidated)

(Unit: Billion yen, Yen per share)

	2024/9 (A)	2024/3 (B)	Change (B) → (A)	Major Changes
Current Assets	219.7	228.4	-8.8	Assets
Cash and deposits	20.7	26.6	-5.9	[Including foreign exchange impact -0.0 billion yen]
Deposits paid to parent company	7.9	4.8	+3.1	1. Trade Receivables : Decrease due to lower sales
Trade Receivables	69.2	72.9	-3.7	2. Inventories : Decrease due to lower raw material and fuel prices
Inventories	116.5	119.2	-2.6	3. Goodwill : Amortization -1.7, Foreign exchange impact -0.7
Non-current Assets	167.8	170.3	-2.5	
Property, Plant and Equipment	123.8	123.5	+0.4	
Goodwill	30.6	33.0	-2.4	
Investments and Other Assets	9.5	9.8	-0.3	
Total Assets	387.4	398.7	-11.3	
Liabilities	160.2	170.1	-9.9	Liabilities and Net Assets
Trade Payables	34.6	39.4	-4.7	[Including foreign exchange impact -0.0 billion yen]
Interest-bearing Debt	87.0	82.9	+4.1	1. Interest-bearing Debt : Increase due to working capital financing
Net Assets	227.2	228.6	-1.4	2. Net Assets : Decrease in capital surplus -1.9
Equity	225.8	226.7	-0.9	Retained earnings -0.1
Non-controlling Interests	1.4	1.9	-0.5	(Net Income +1.5, Cash dividends paid -1.6)
Total Liabilities and Net Assets	387.4	398.7	-11.3	
Equity Ratio (%)	58.3	56.9	+1.4	[Exchange Rate]
Net Assets Per Share	4,144.07	4,160.27	-16.20	as of Sep. 2024 : 159.5 yen/€
Net D/E Ratio (Times)	0.26	0.23	+0.03	as of Mar. 2024 : 163.2 yen/€

(Reference) Assets of Sanyo, OVAKO and SSMI (as of Sep. 2024 non-consolidated basis) Sanyo 268.1 billion yen OVAKO 126.8 billion yen SSMI 17.1 billion yen

Statements of Cash Flows (Consolidated)

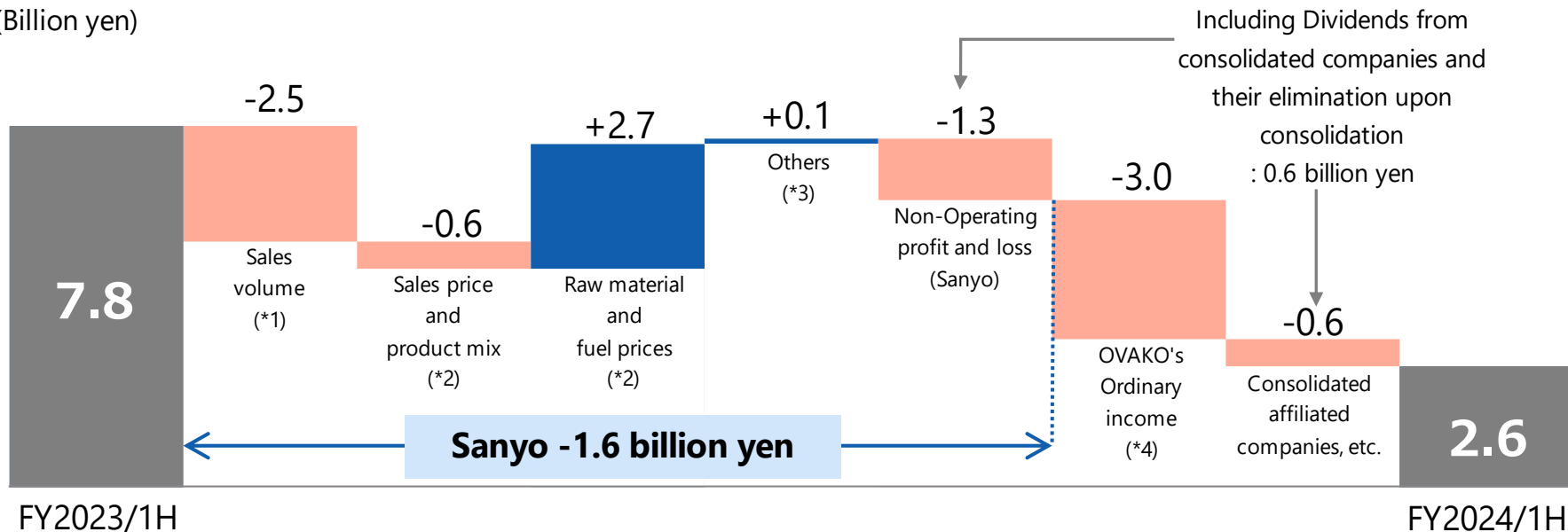
(Unit : Billion yen)

	FY2022/1H	FY2022/2H	FY2023/1H	FY2023/2H	FY2024/1H
Cash flows from operating activities (A)	-7.1	19.2	14.7	26.0	5.1
Net income before income taxes	22.1	22.6	15.9	14.1	11.5
Depreciation & Amortization of goodwill	EBITDA (simplified method)				
	13.8 8.3	14.2 8.4	7.6 8.3	5.4 8.7	2.7 8.8
Income taxes	-5.0	-2.4	-5.0	-2.5	-5.1
Working capital, etc.	-24.2	-1.0	3.8	14.4	-1.4
Cash flows from investing activities (B)	-6.6	-6.1	-10.8	-5.1	-7.8
Capital expenditure	-6.3	-6.8	-10.4	-6.4	-7.8
Proceeds from sale of securities	—	0.0	0.1	1.6	0.3
Others	-0.4	0.7	-0.5	-0.3	-0.2
Free cash flows (A+B)	-13.7	13.1	3.8	20.9	-2.8
Cash flows from financing activities (C)	11.5	-3.0	-5.5	-22.0	-0.1
Increase/Decrease in borrowings/bonds/ commercial papers/lease obligations	14.0	0.4	-0.4	-20.1	4.0
Cash dividends	-2.5	-3.0	-2.5	-1.9	-1.6
Others	-0.0	-0.4	-2.6	-0.0	-2.5
Translation Difference (D)	1.2	0.1	1.8	0.6	0.0
Net Increase/Decrease in Cash and cash equivalents (A+B+C+D)	-1.1	10.2	0.2	-0.5	-2.8

* Cash and cash equivalents include deposits paid to affiliated companies.

Ordinary Income Variance Analysis (FY2023/1H → FY2024/1H Result)

(Billion yen)



Sanyo	6.9
OVAKO	5.1
Others	-1.2

Consolidated -5.2 billion yen

Sanyo	5.3
OVAKO	2.1
Others	-4.8

(*1) Sales volume

- 14% (-60: 427 → 367 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap : +0.3 (-0.2 → +0.1)
- Energy : -1.1 (+1.0 → -0.1)

(*3) Breakdown of Others

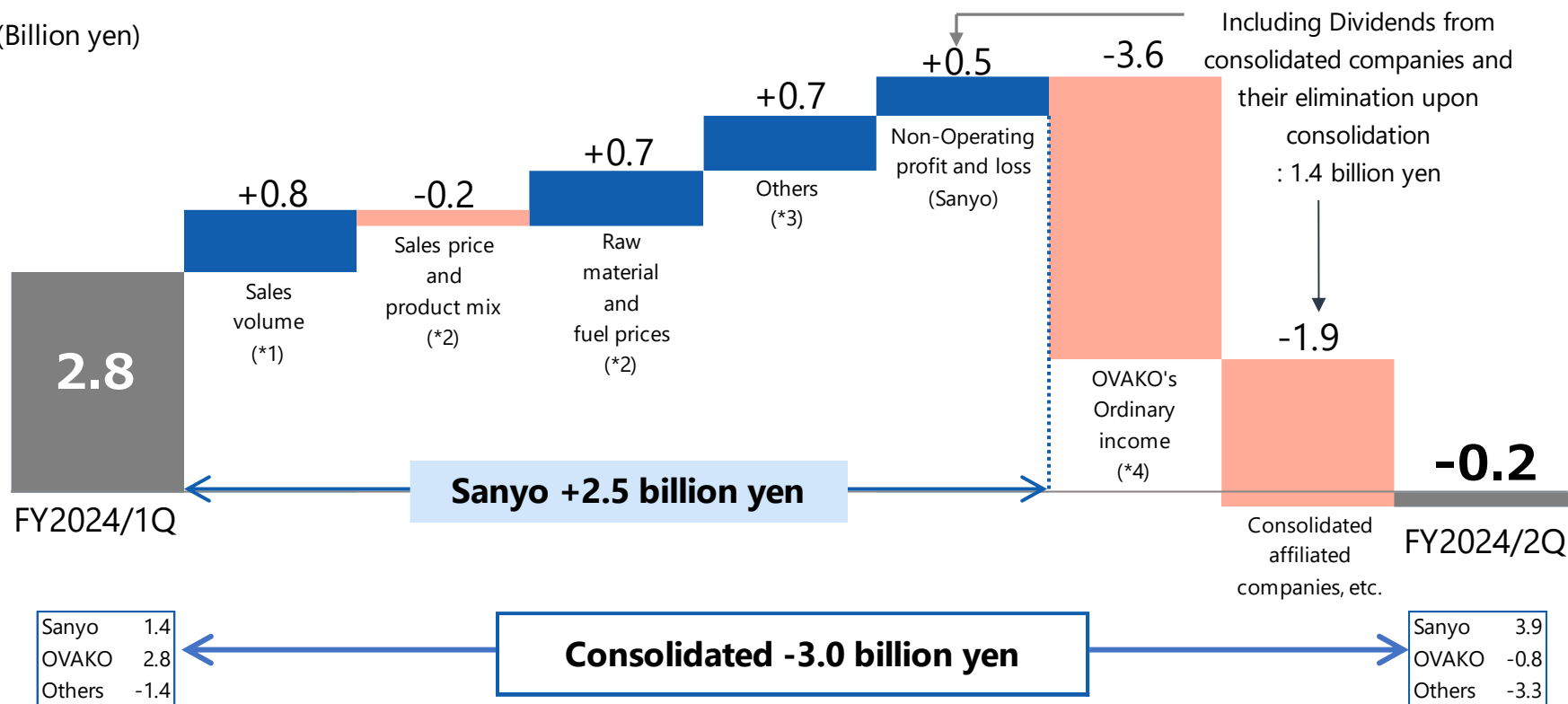
- Variable cost reductions +0.1, Fixed cost +0.4, Other materials, outsourcing, logistic cost, etc. -0.3, Repair and maintenance expenses -0.1

(*4) OVAKO's Ordinary Income

- Sales volume +0.5
+1% (+4: 256 → 259 thousand tons)
- Transient factors -1.3 (+0.9 → -0.4)
FX effect (SEK vs. EUR) -0.7 (+0.3 → -0.4)
Energy Subsidy -0.6 (+0.6 → 0.0)
- Sales margin and product mix, raw material and fuel prices -3.6
- Others (Fixed cost, etc.) +1.4

Ordinary Income Variance Analysis (FY2024/1Q → FY2024/2Q Result)

(Billion yen)



(*1) Sales volume

- +10% (+18: 175→ 193 thousand tons)

(*2) Time lag of surcharge pricing

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

(*3) Breakdown of Others

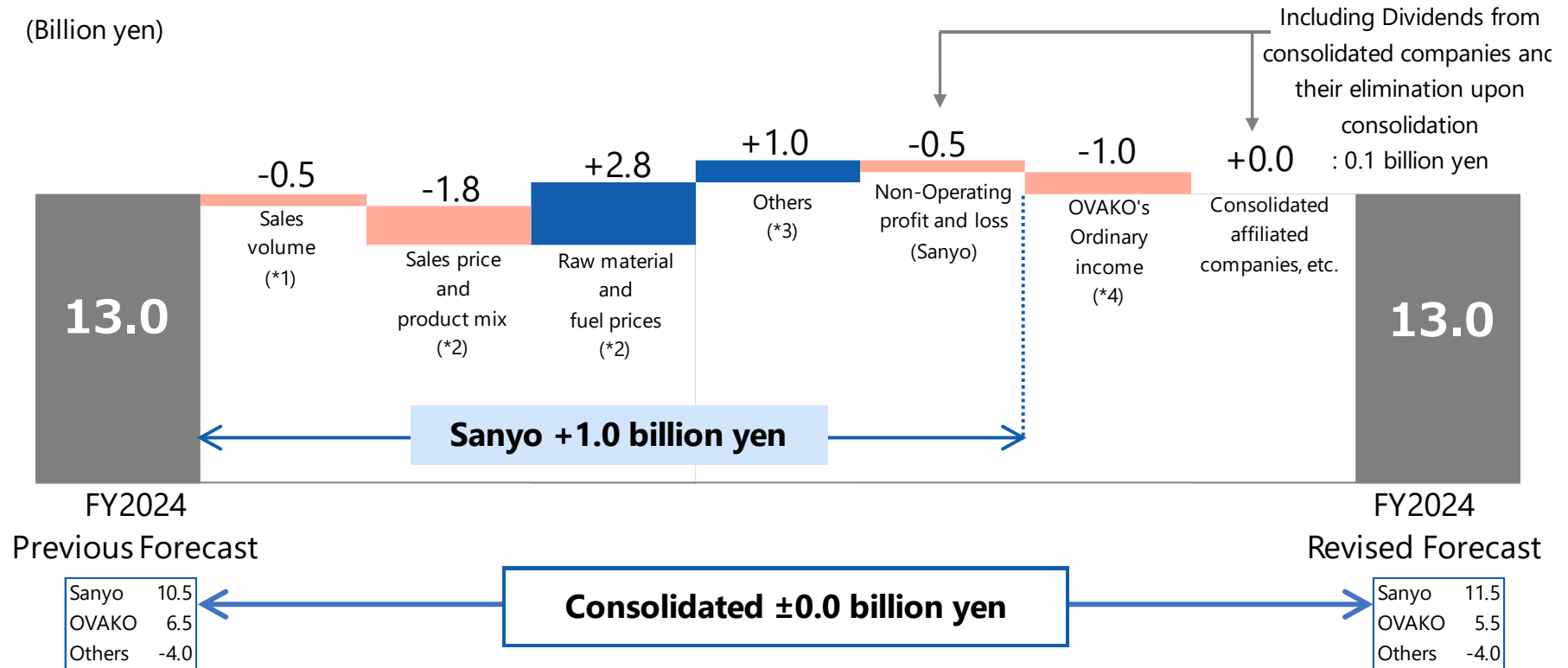
- Variable cost reductions +0.1,
- Other materials, outsourcing, logistic cost, etc. +0.3,
- Repair and maintenance expenses +0.1, Fixed cost +0.2

(*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) -4.9
-27% (-41: 150→ 109 thousand tons)
- Transient factors +0.1 (-0.2→ -0.1)
FX effect (SEK vs. EUR) +0.1 (-0.2→ -0.1)
- Sales margin and product mix, raw material and fuel prices -0.9
- Others (Fixed cost, etc.) +2.1

Ordinary Income Variance Analysis (FY2024 Previous Forecast → FY2024 Revised Forecast)

(Billion yen)



(*1) Sales volume

- 1% (-10: 767→ 757 thousand tons)

(*2) Time lag of surcharge pricing

- Iron scrap :+1.0 (-0.0→ +1.0)
- Energy :+0.1 (-0.2→ -0.1)

(*3) Breakdown of Others

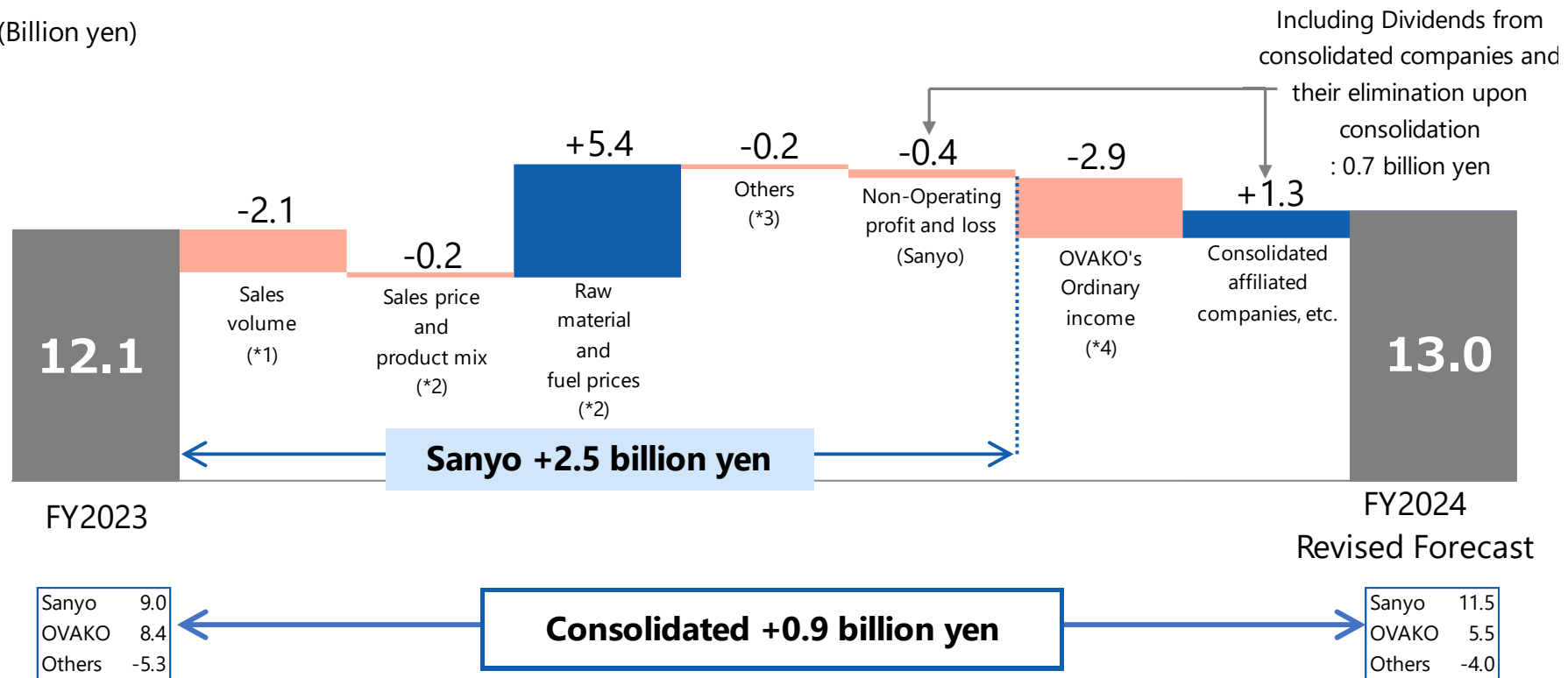
- Other materials, outsourcing, logistic cost, etc.+0.2,
- Repair and maintenance expenses+0.5,
- Fixed cost+0.4,
- Variable cost reductions-0.1

(*4) OVAKO's Ordinary Income

- Sales volume -1.6
-3% (-14: 549→ 535 thousand tons)
- Transient factors -0.2 (-0.2→-0.4)
FX effect (SEK vs. EUR) -0.2 (-0.2→ -0.4)
- Sales margin and product mix, raw material and fuel prices -0.8
- Others (Fixed cost, etc.) +1.6

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 : +1.3 (-0.3 → +1.0)
- Energy :-1.8 (+1.7 → -0.1)

(*3) Breakdown of Others

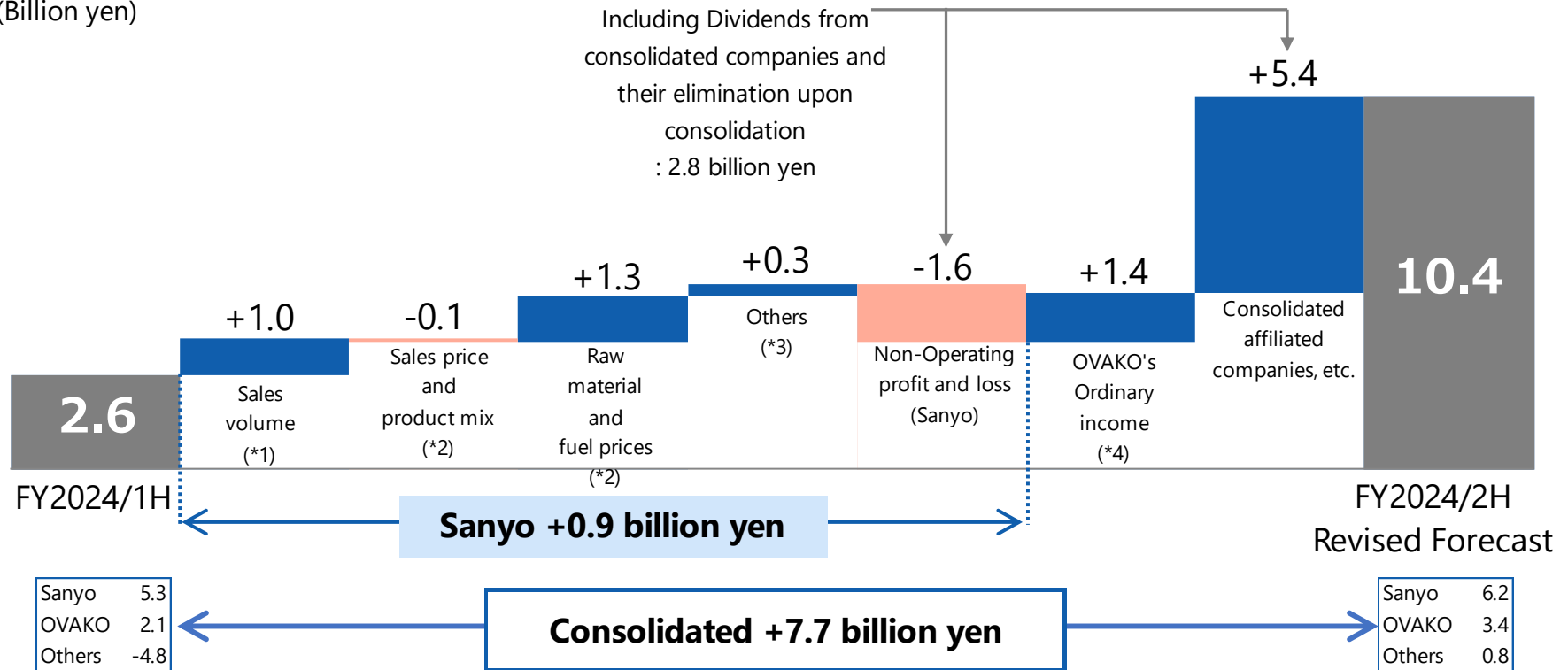
- Variable cost reductions +0.9,
- Repair and maintenance expenses +0.6,
- Other materials, outsourcing, logistic cost, etc. -1.1,
- Fixed cost -0.6

(*4) OVAKO's Ordinary Income

- Sales volume +3.3
+5% (+28: 508 → 535 thousand tons)
- Transient factors -1.7 (+1.3 → -0.4)
FX effect (SEK vs. EUR) -0.8 (+0.4 → -0.4)
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 -5.5
- Others (Fixed cost, etc.) +1.0

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 : +0.7 (+0.1 → +0.9)
- Energy : +0.0 (-0.1 → -0.0)

(*3) Breakdown of Others

- Variable cost reductions +0.4,
- Other materials, outsourcing, logistic cost, etc. +0.1,
- Repair and maintenance expenses +0.5,
- Fixed cost -0.7

(*4) OVAKO's Ordinary Income

- Sales volume (Seasonal factors, etc.) +1.9
+6% (+17: 259 → 276 thousand tons)
- Transient factors +0.4 (-0.4 → 0.0)
FX effect (SEK vs. EUR) +0.4 (-0.4 → 0.0)
- Sales margin and product mix, raw material and fuel prices +0.7
(Including variable cost reductions)
- Others (Fixed cost, etc.) -1.6

Review of Performance <OVAKO>

FY2024 Forecast

Ordinary Income in FY2024/1H : 2.1 billion yen (-3.0 billion yen against FY2023/1H)

- Demand remained sluggish in FY2024/1H mainly due to slower-than-expected recovery of European economy despite interest rate cuts, influx of low-priced imported materials and relocation of production bases to outside of Europe. Despite these challenges, causing significant struggles for many European competitors, OVAKO managed to maintain profitability through effective sales promotion and stringent cost control measures. YOY profit level decreased due to a deterioration in product mix and reduction of positive one-off effects.

Ordinary Income Forecast for FY2024 :

5.5 billion yen (-2.9 billion yen against FY2023)

- Since September 2024, concerns have emerged regarding further deterioration of the German economy following the release of various economic indicators, triggering destocking simultaneously. With no signs of significant improvement in market conditions during FY2024/2H, OVAKO will continue to focus on securing sales volume leveraging its advantages in carbon efficiency. In addition, OVAKO will continue with its efforts to comprehensively control fixed costs and optimize its operational structure.

[Environment in 1H]

- Economic slowdown due to high interest rates
- Changes in supply chain, incl. inflow of imported materials, initiated by energy crisis and other factors

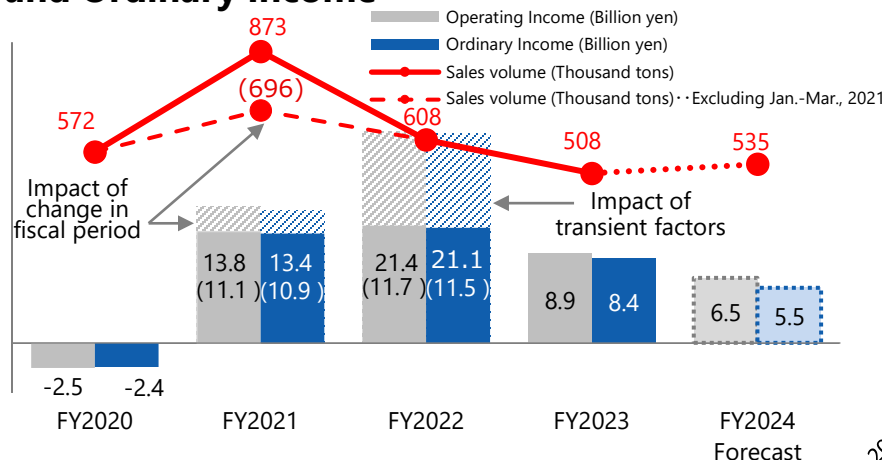
Previous Forecast

- Gradual recovery in 2H following interest rate cuts

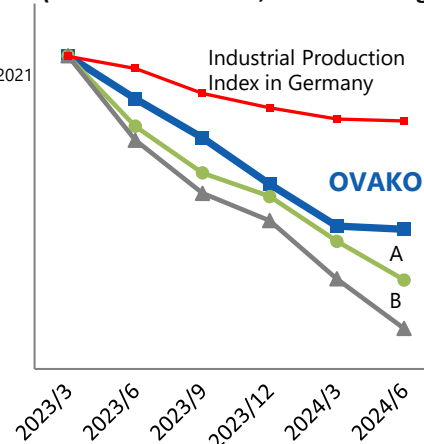
Revised Forecast

- Delays in European recovery due to unexpected deterioration in Germany
- Destocking

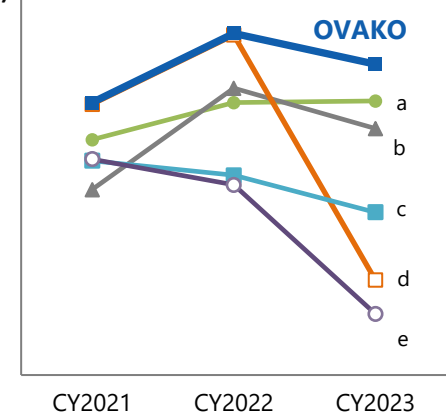
Trend of Sales volume, Operating Income, and Ordinary Income



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



Comparison with European peers (EBIT%)



Review of Performance <SSMI>

FY2024 Forecast

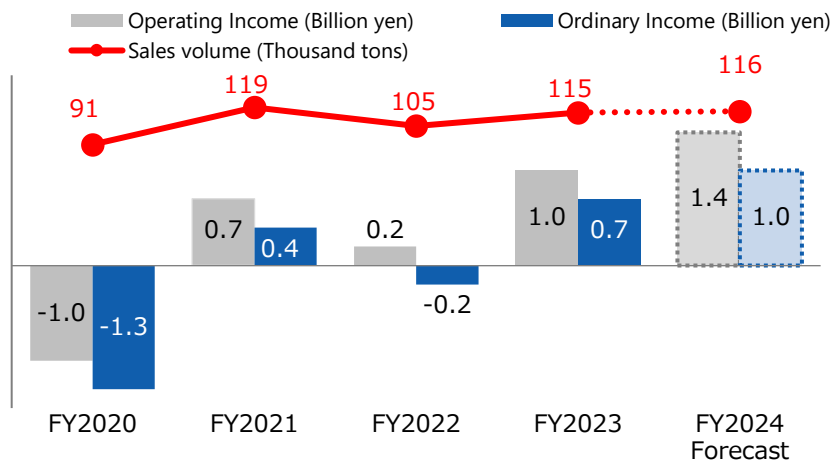
Ordinary Income in FY2024/1H (Jan.-Jun. 2024) : 0.4 billion yen (+0.1 billion yen against FY2023/1H)

- SSMI secured ordinary income of 0.4 billion yen in FY2024/1H, supported by improvements in product mix and profit margin, as well as efforts to further reduce manufacturing costs. These efforts included further utilization of low-cost raw materials and 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 low-cost raw materials. (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.**

4. Topics

Topics

1 . Exhibiting at TECHNO-FRONTIER 2024 (July 24-26, 2024)

- Sanyo participated in one of the largest exhibitions in Asia, showcasing the latest technologies and products in the fields of mechatronics and electronics.
- Sanyo's booth, which featured high-performance magnetic powders for noise reduction and other products, attracted 204 visitors.

【Products exhibited at the Sanyo booth】

- High-permeability flaky metal powders
- Flaky metal powders for RFID
- High-frequency flaky metal powders
- Spherical magnetic metal powders



2 . Supplier award ceremony (August 21, 2024)

- Sanyo has a program to acknowledge suppliers for their contribution and endeavor to foster strong trading relationships.
- Based on comprehensive evaluation of suppliers' transactions with Sanyo over the course of a year, Sanyo selects and awards those suppliers having demonstrated outstanding performance.
- The factors used in the evaluation include quality, cost competitiveness, delivery management, overall business status, environmental initiatives, and level of services.



Awarding five outstanding suppliers for their achievements in 2024.

Topics

3 . Initiatives for nurturing the next generation

High school students

Donation of steel to local high schools

(July 29, 2024)

- Sanyo offered steel to 3 local high schools for students to practice operating a turning machine.
- We received positive feedback from high schools, saying that use of Sanyo's steel in practical training helped students improve their skills.



Graduate students

Industry-academia collaboration program Technical exchange with National Kyushu University's Research Center for Steel

(September 24- 27, 2024)

- Industry-academia collaboration program for graduate students was held at Sanyo.
- The 4-day program included lectures on special steel by Sanyo employees, plant and research facility tours, practical training, and debriefing sessions.
- The program, joined by 4 instructors and 6 graduate students, helped the participants deepen their understanding of special steel.



Elementary and middle school students

Sanyo mentioned in career education materials

Japan's education ministry is promoting career education for elementary and junior high school students. In teaching materials of Himeji City, Sanyo is introduced as one of the major entities in Himeji.

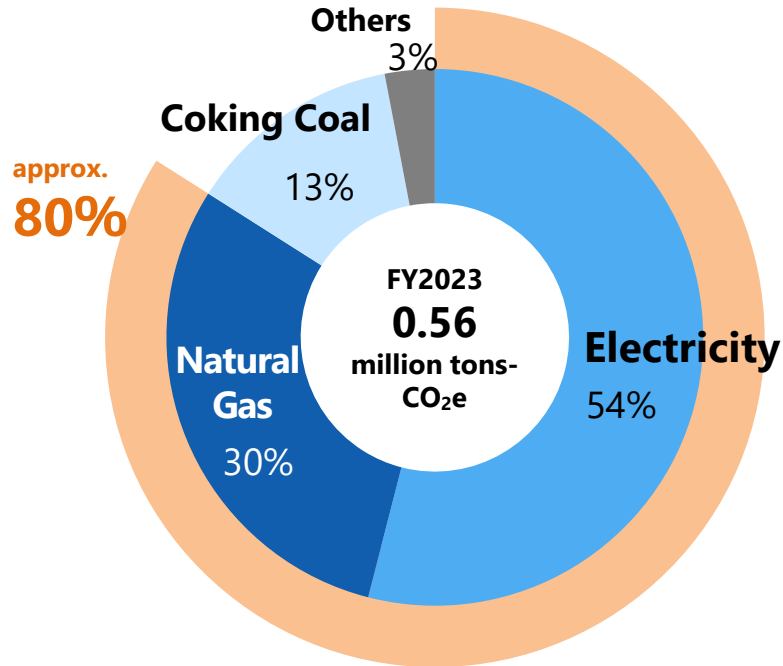


5. Achieving Carbon Neutrality (CN) by 2050

Basic Consideration to Carbon Neutrality

Breakdown of Sanyo's GHG emissions

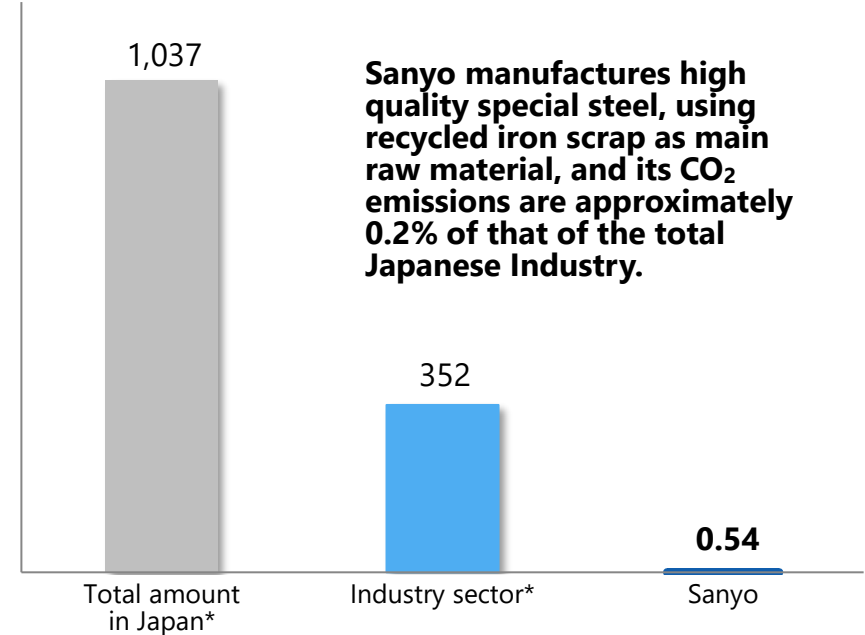
(Scope 1 & 2 of Sanyo)



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.

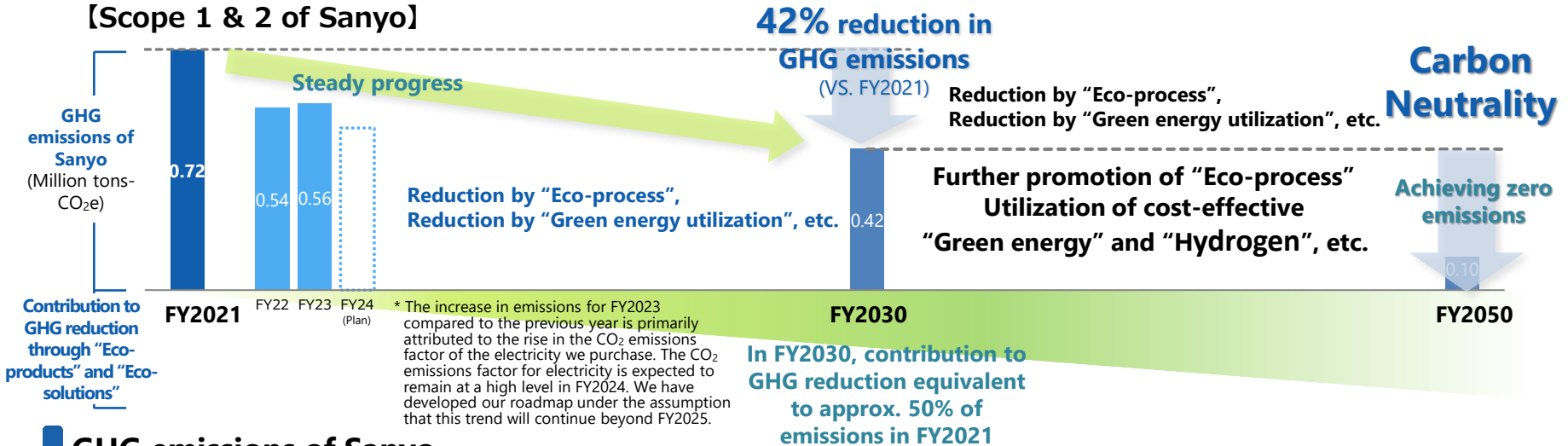
Sanyo will actively engage in activities of GX League, such as voluntary emissions trading, making rules for market creation, creation of business opportunities and exchanges in GX hosted sessions.



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

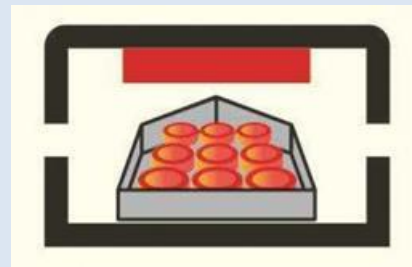
(Estimated CO₂ reduction effect: 13,000 tons/year*)

Process Omitting Steel



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

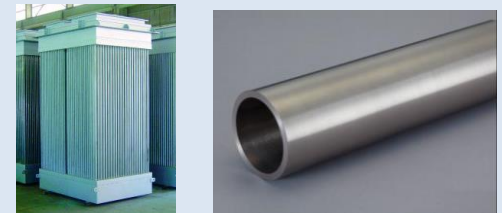
Elimination/simplification of the parts manufacturing process



(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.

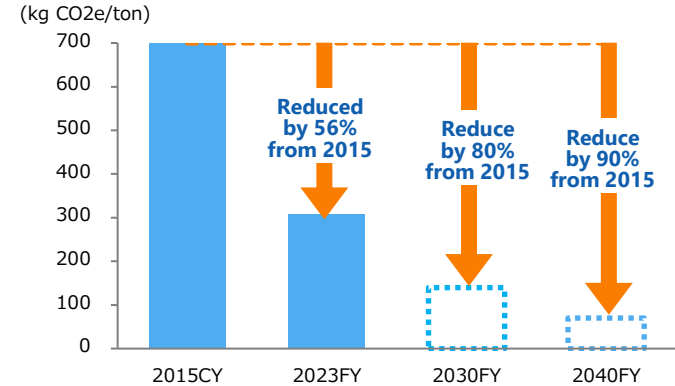
Sep. 2023 • **Inauguration of Fossil-free hydrogen electrolyzer plant**

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

Collaboration with customers

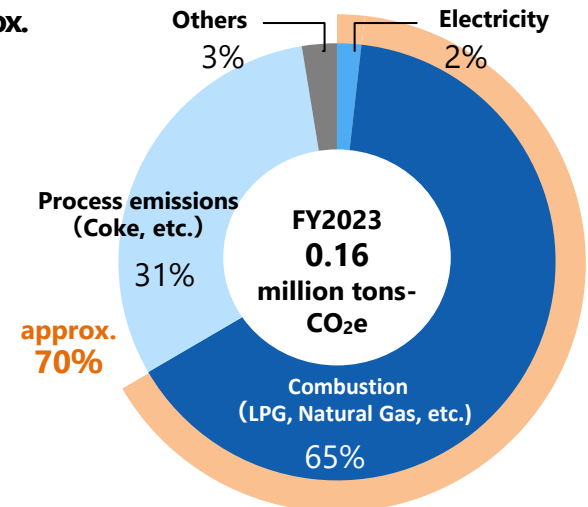
- SKF has produced bearings with 90% less carbon emission than its standard, using OVAKO's high quality bearing steel.
- OVAKO has participated in Volvo's climate-neutral car project.
- OVAKO has signed partnership deal with FNsteel.

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

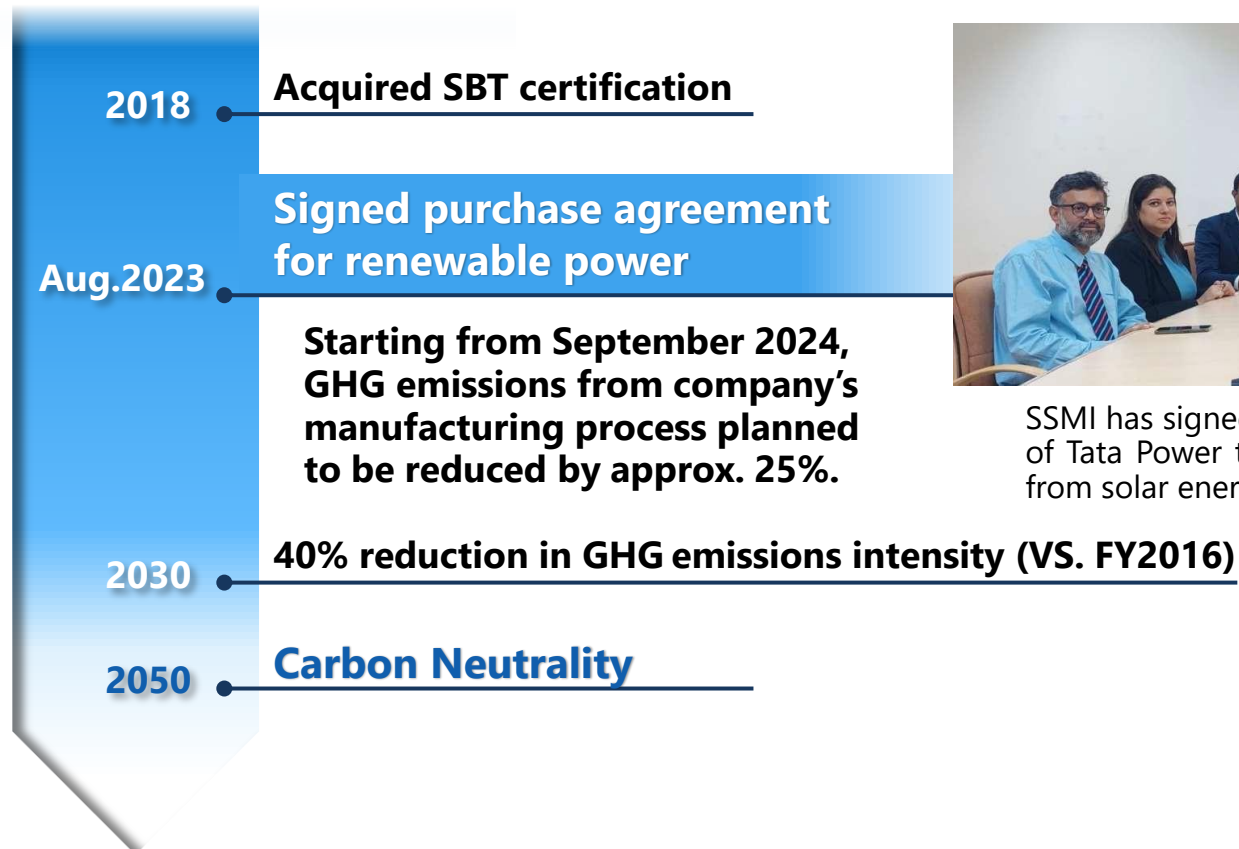


Engagement to Carbon Neutrality by SSMI

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

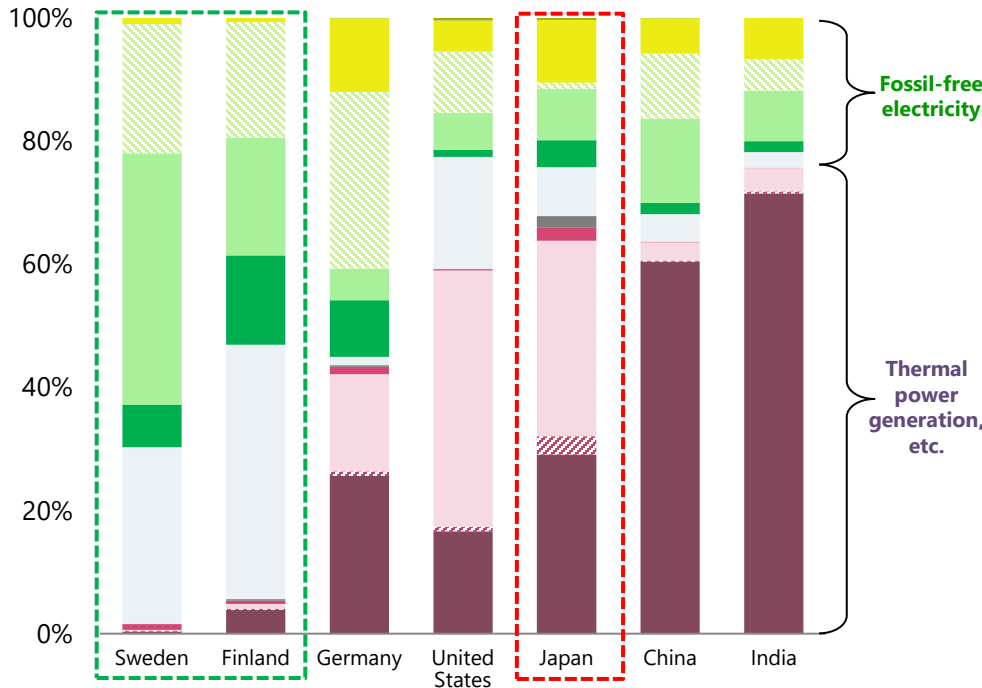


SSMI has signed an agreement with a subsidiary of Tata Power to purchase electricity generated from solar energy, a renewable energy source.

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.

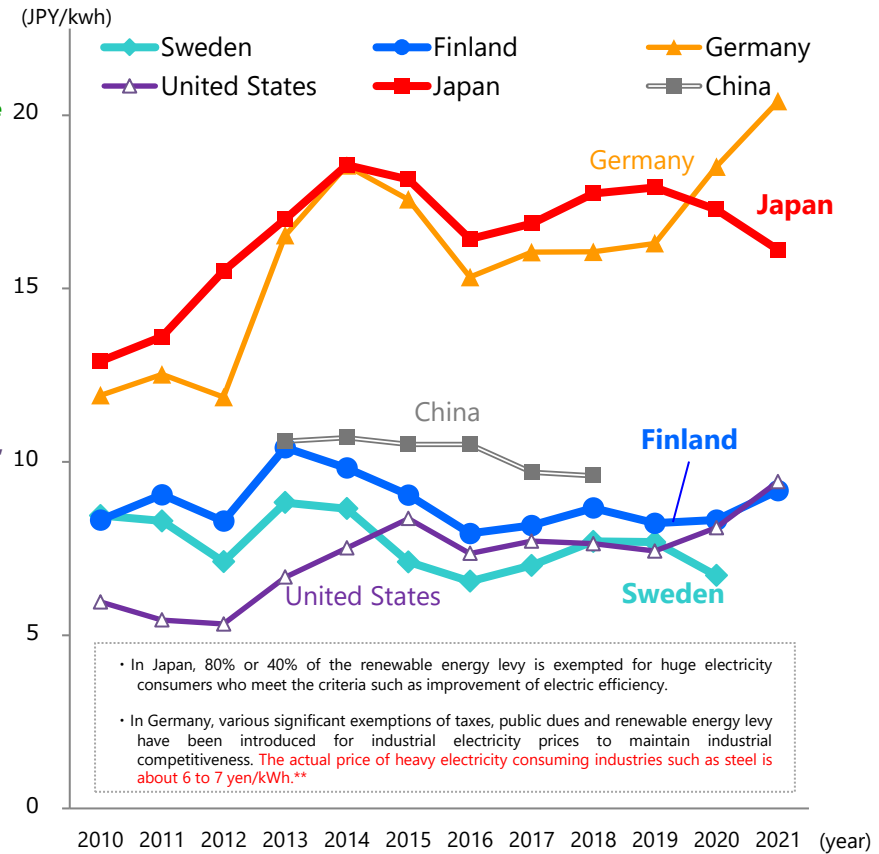


- Coal
- Natural Gas
- Non-Specified
- Combustible Renewables
- Wind
- Geothermal
- Oil
- Other Combustibles
- Nuclear
- Hydro
- Solar
- Other Renewables

*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

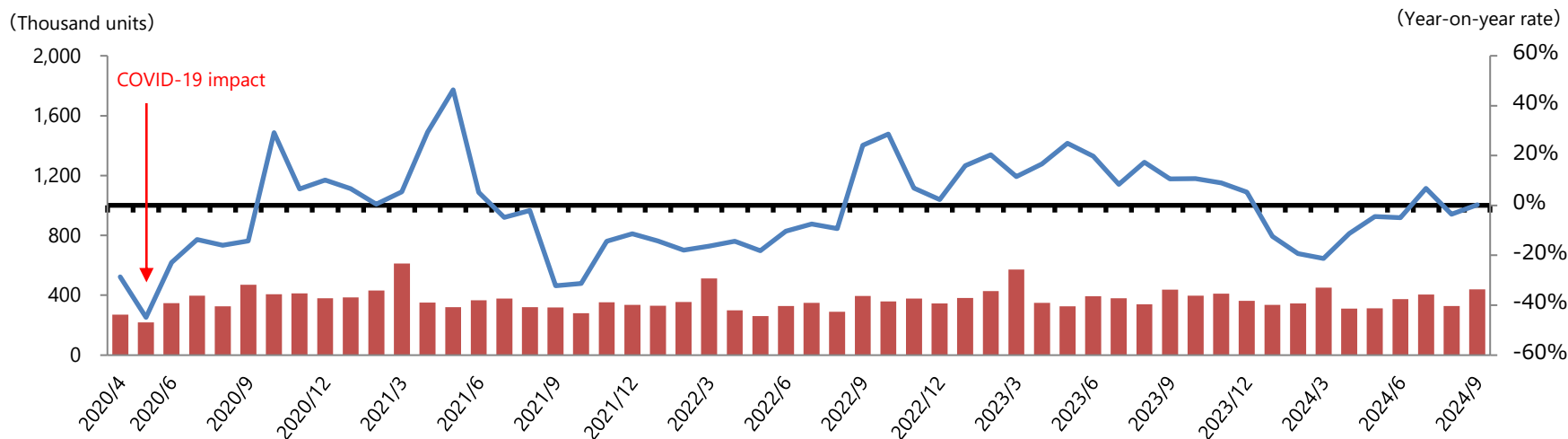
**International Environment and Economy Institute (Realities of the carbon pricing of overseas)

6. Reference

Trends in Automobile Market

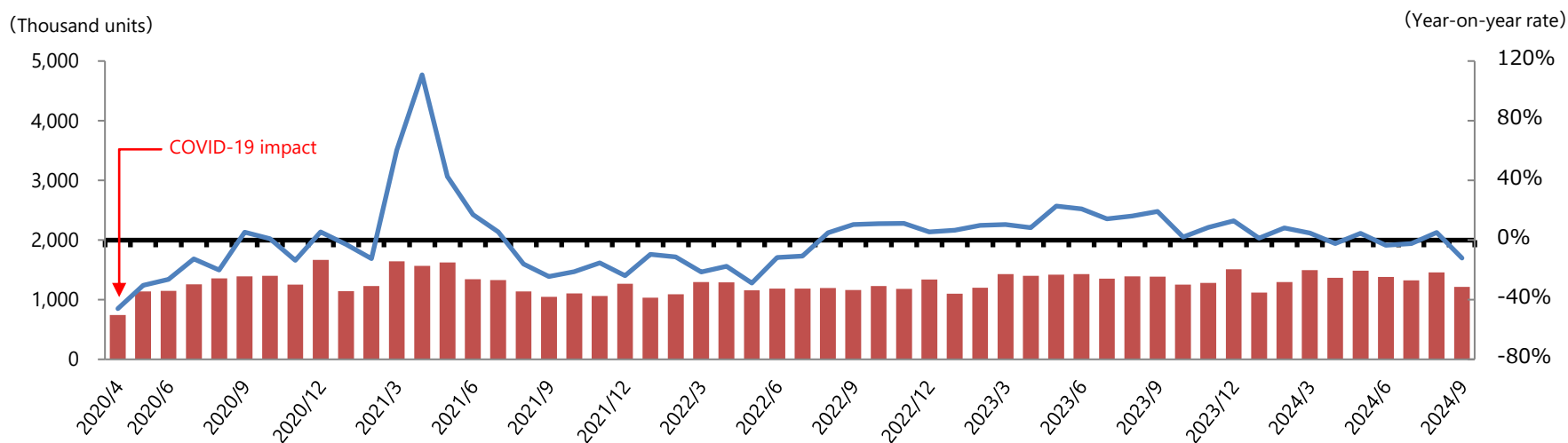
Units of automobile sales in Japan

Source: MarkLines Co., Ltd.



Units of automobile sales in U.S.

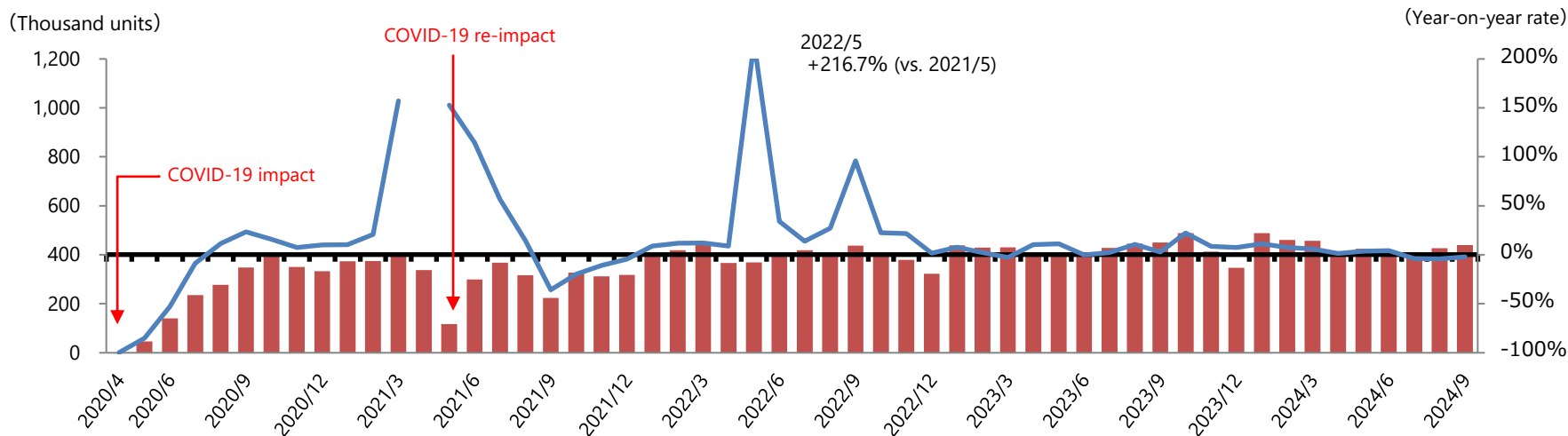
Source: MarkLines Co., Ltd.



Trends in Automobile Market

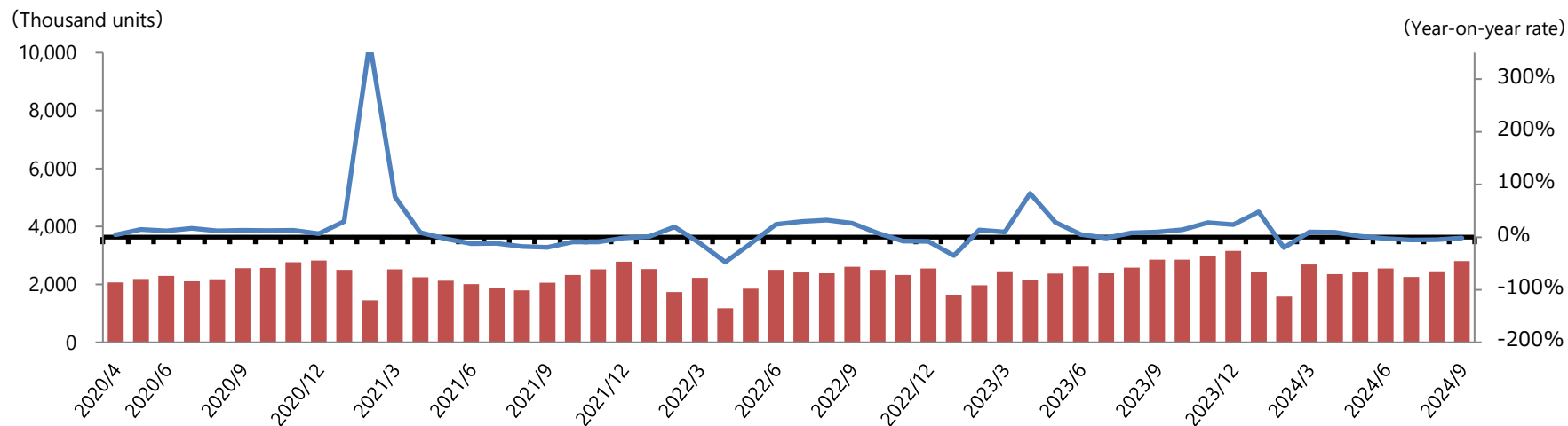
Units of automobile sales in India

Source: MarkLines Co., Ltd.



Units of automobile sales in China(Factory shipment base)

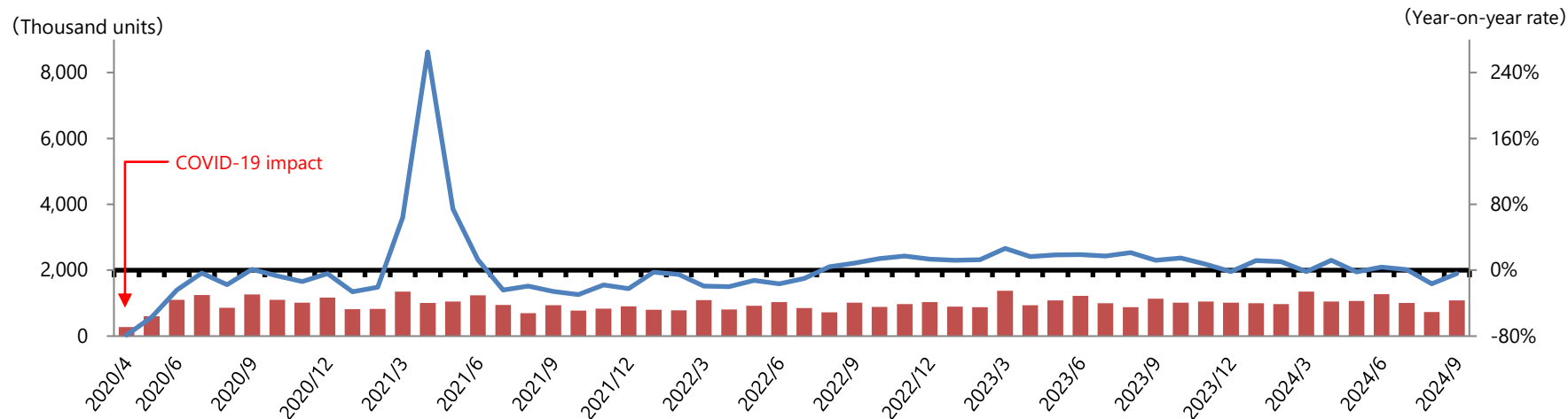
Source: MarkLines Co., Ltd.



Trends in Automobile Market

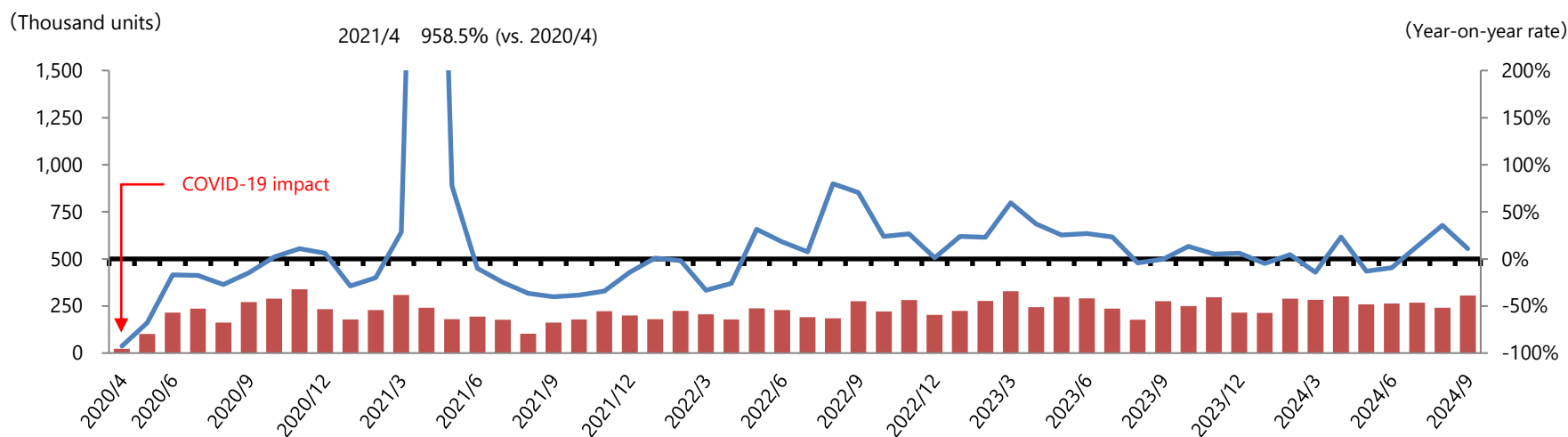
Units of automobile sales in Europe

Source: ACEA



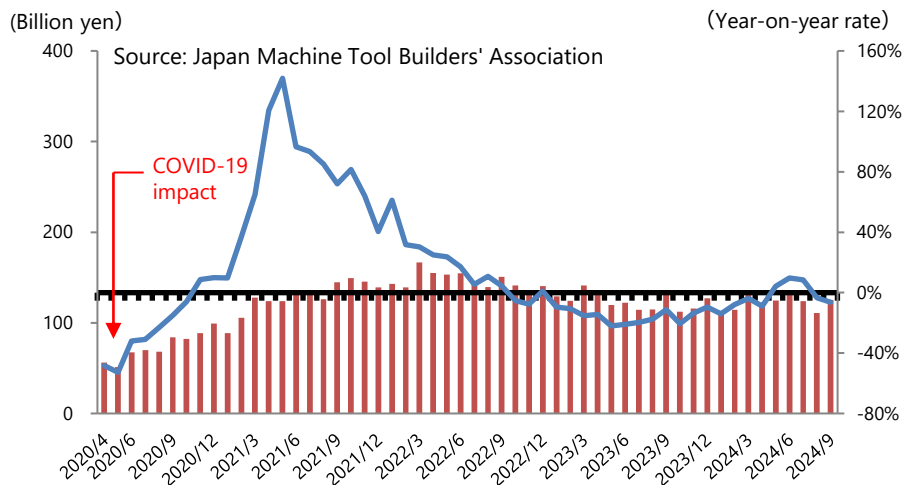
Units of automobile export from Germany

Source: VDA

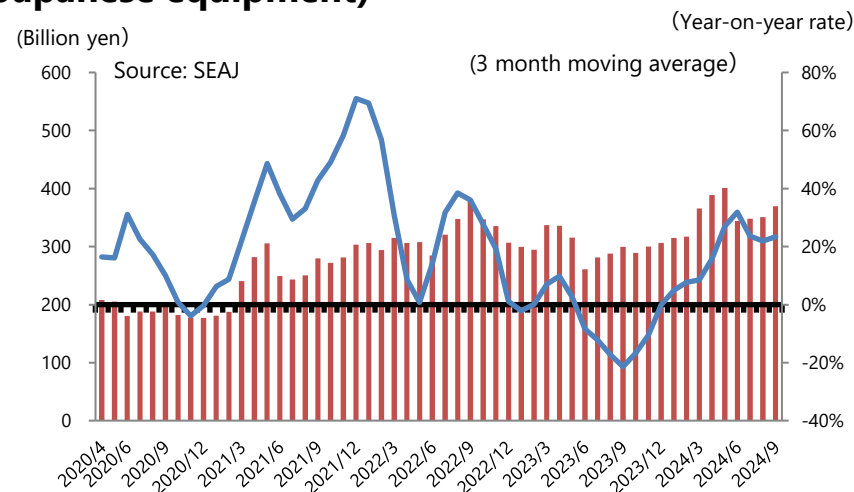


Trends in Industrial Machinery and Construction Machinery Market

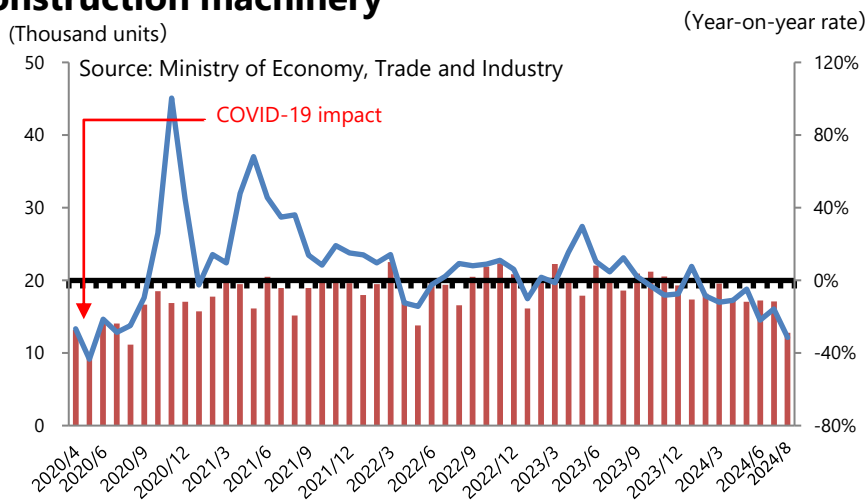
Sales amount of machine tool orders(Japan)



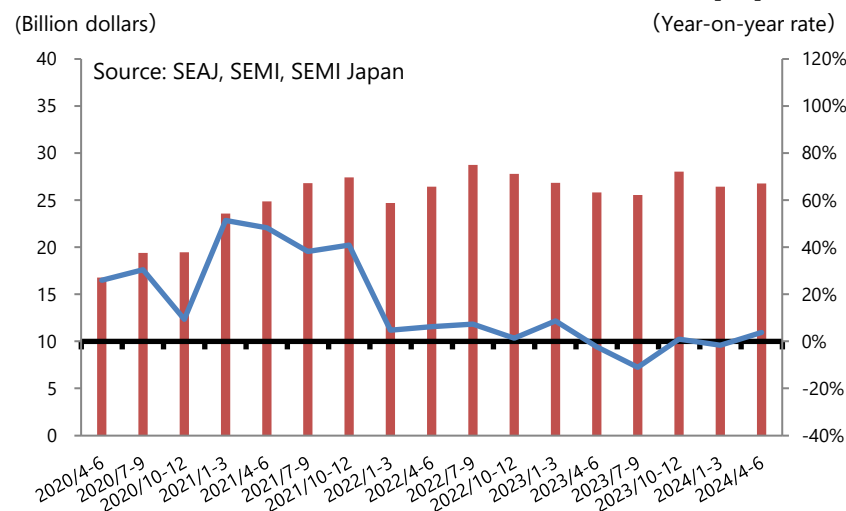
Sales amount of semiconductor manufacturing equipment (Japanese equipment)



Domestic production of excavator-based construction machinery

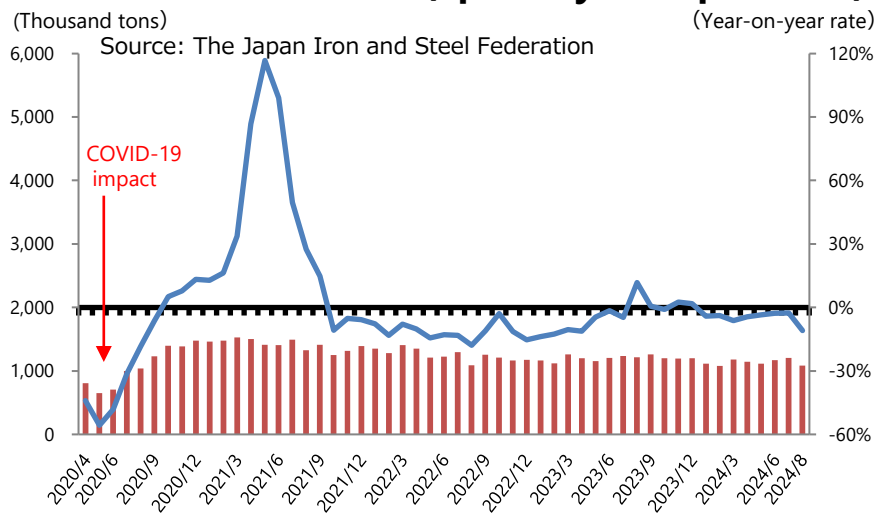


Sales amount of world wide semiconductor equipment

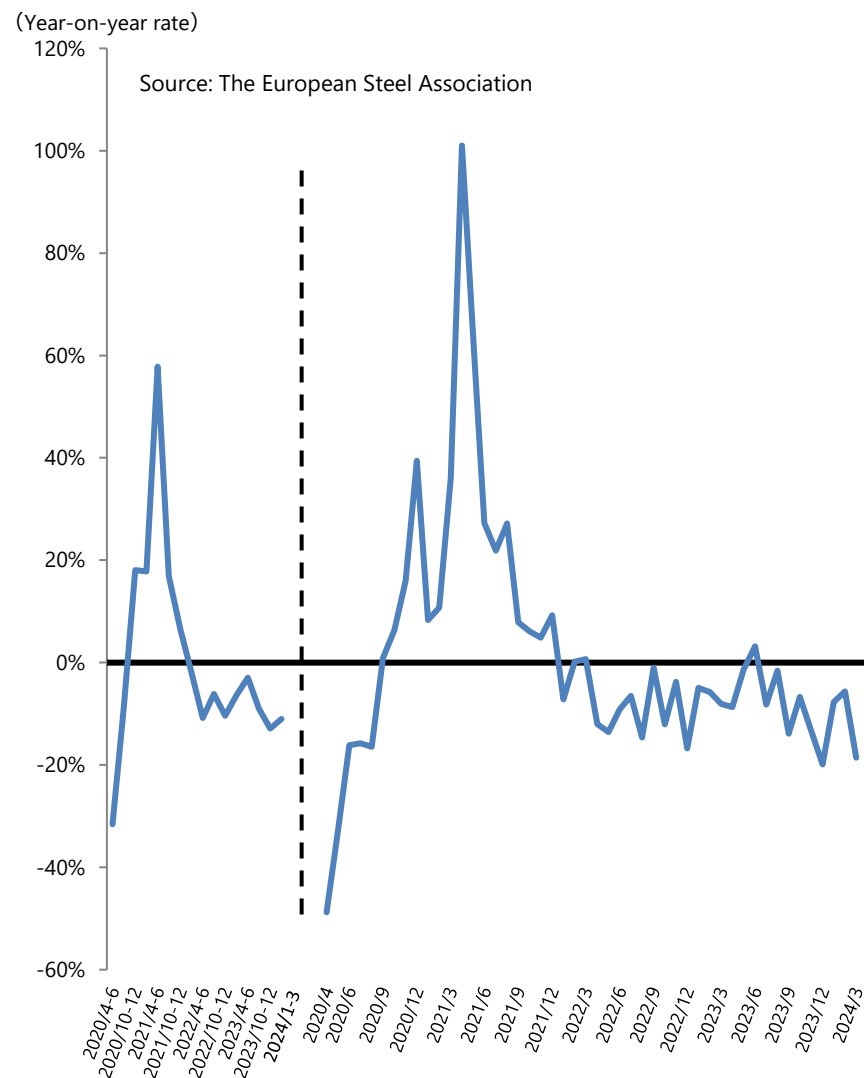


Trends in Special Steel Market

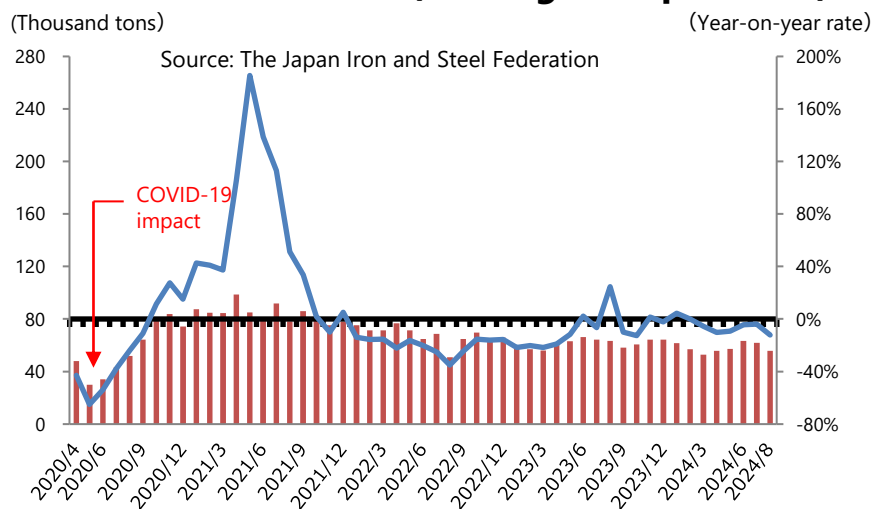
Volume of order booked (Specialty steel products)



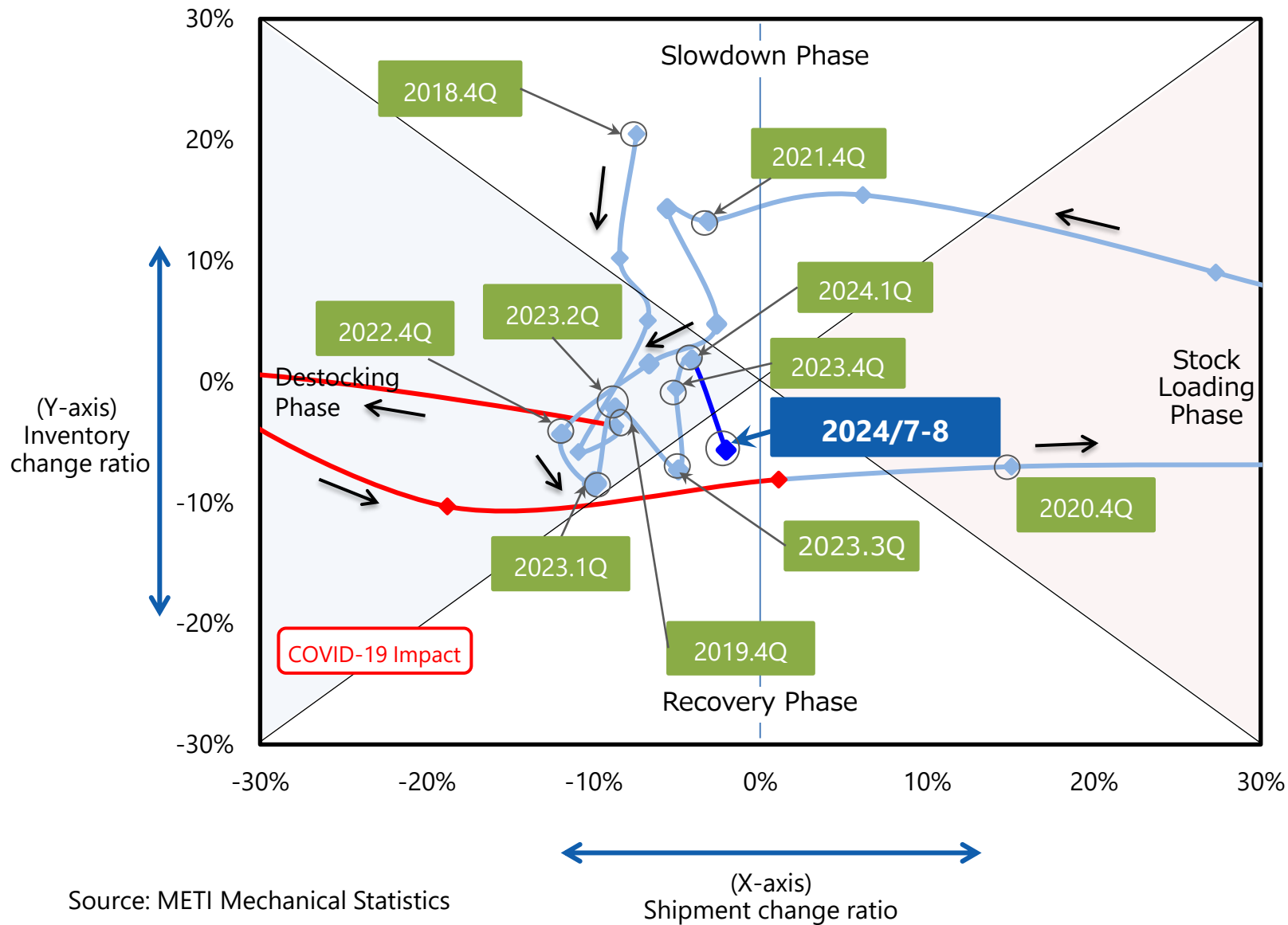
Volume of European deliveries : Bars and Flats / Alloy Engineering Steel



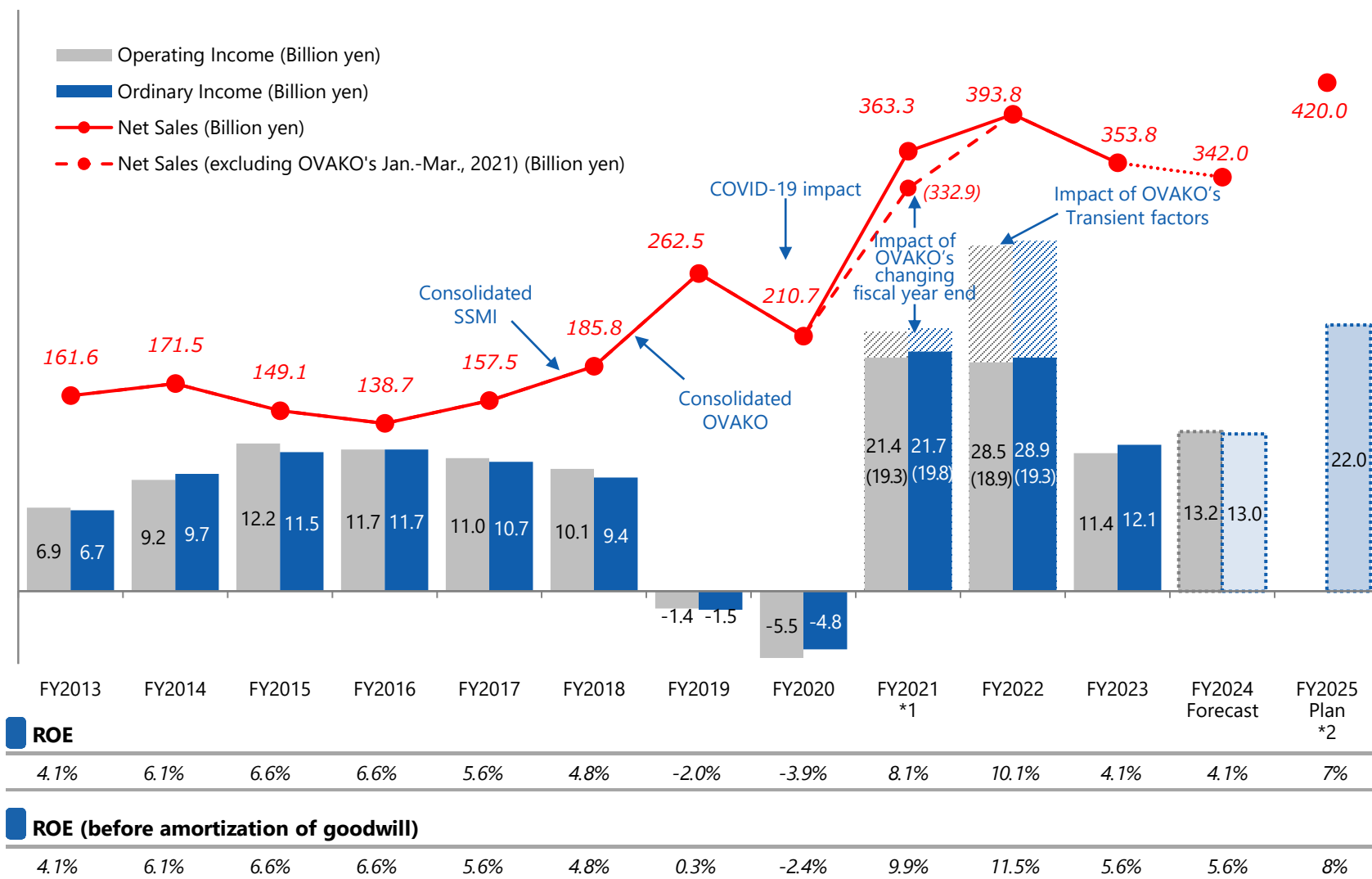
Volume of order booked (Bearing steel products)



Inventory Circulation Diagram (Bearing Products)



Net Sales and Income (Fiscal)

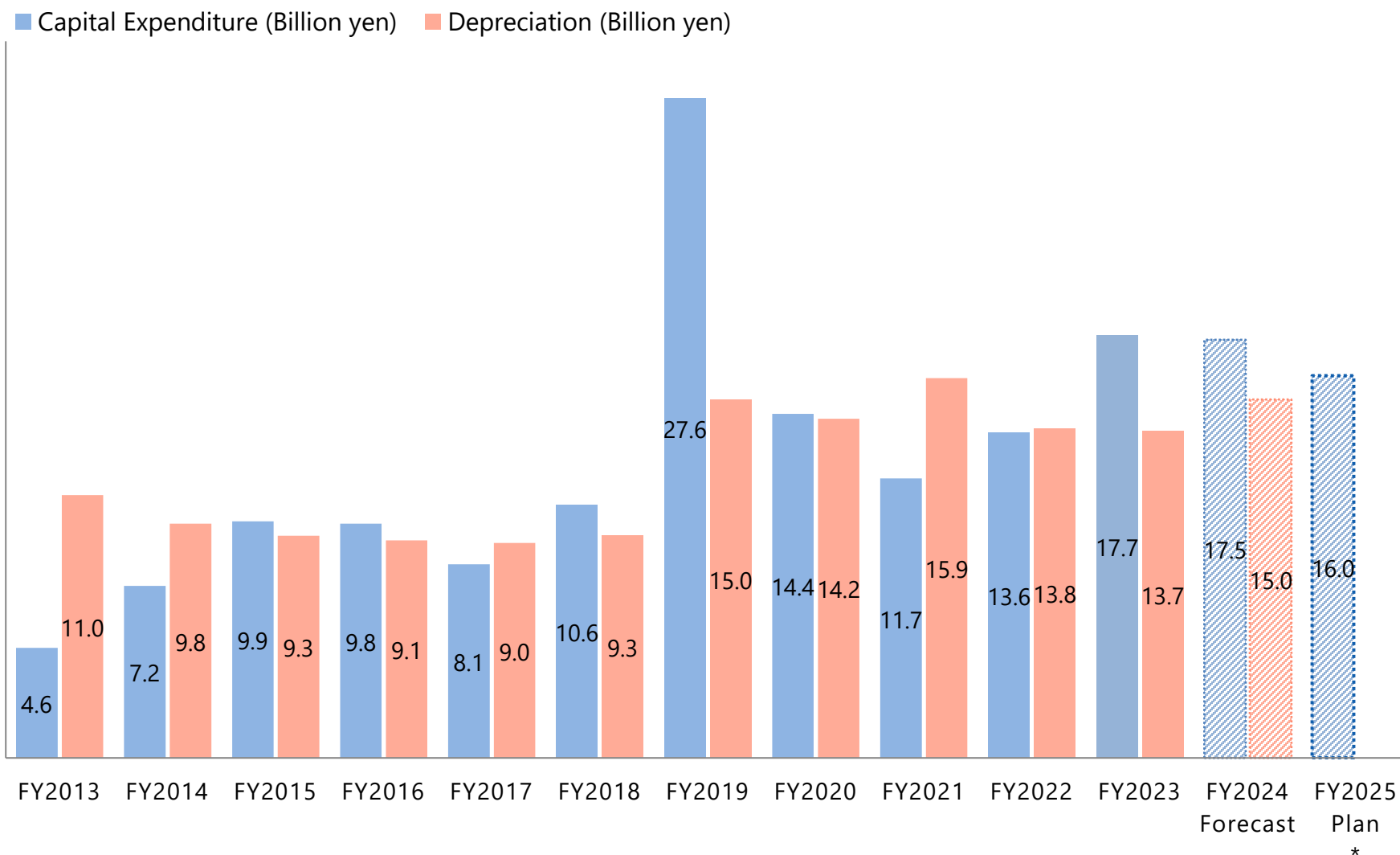


*1 FY2021 reflects numbers of OVAKO by 15 months from Jan. 2021 to Mar. 2022.

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

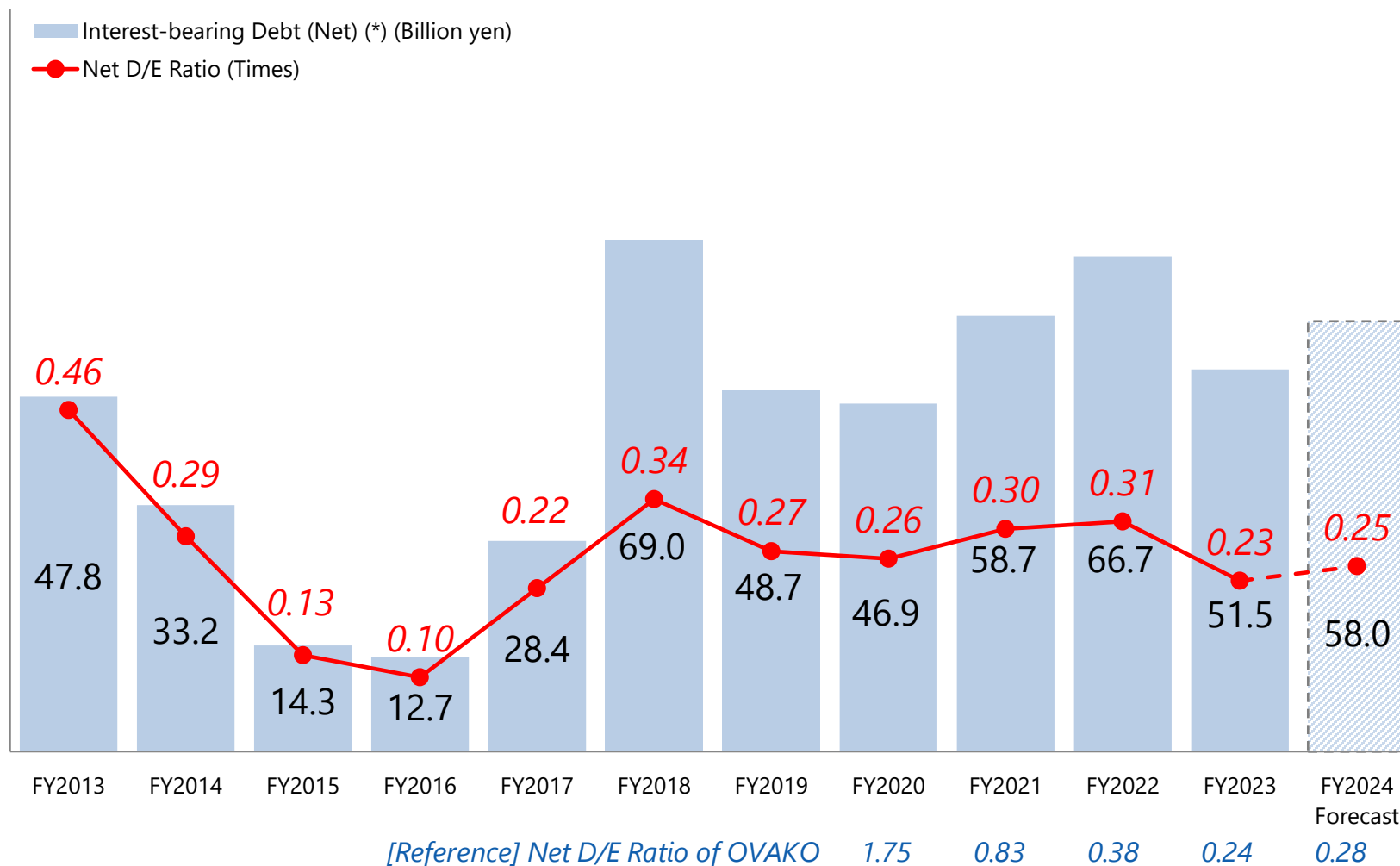
*3 SSMI has been consolidated since FY2018/2Q, and OVAKO has been consolidated since FY2019/1Q for profit and loss.

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 (FY2024/1H vs. FY2023/1H)

(Unit: Billion yen, Yen per share)

	FY2024/1H	FY2023/1H	Change (B) → (A)	
	(A)	(B)	Amount	Ratio (%)
Net Sales	168.4	185.3	-16.8	-9.1
(Sanyo)	80.8	96.2	-15.4	-16.0
(OVAKO)	70.8	74.1	-3.3	-4.4
(SSMI)	12.0	11.2	+0.9	+7.7
Operating Income	3.1	7.3	-4.2	-57.6
(Sanyo)	2.4	2.7	-0.3	-11.1
(OVAKO)	2.4	5.6	-3.2	-57.1
(SSMI)	0.6	0.5	+0.1	+19.0
(Amortization of goodwill)	-1.7	-1.6	-0.1	—
Ordinary Income	2.6	7.8	-5.2	-66.3
(Sanyo)	5.3	6.9	-1.6	-22.9
(OVAKO)	2.1	5.1	-3.0	-59.4
(SSMI)	0.4	0.3	+0.1	+25.0
(Amortization of goodwill)	-1.7	-1.6	-0.1	—
Net Income ^{*1}	1.5	5.2	-3.7	-70.7
Earnings Per Share	28.2	96.1	-67.9	-70.7
Operating Income before amortization of goodwill	4.8	8.9	-4.1	-45.9
Ordinary Income before amortization of goodwill	4.3	9.4	-5.1	-53.8
Net Income before amortization of goodwill	3.2	6.8	-3.6	-52.4
Earnings Per Share before amortization of goodwill	59.6	125.3	-65.7	-52.4
Sales Volume (Thousand tons)	683	739	-56	-7.6
(Sanyo)	367	427	-60	-14.1
(OVAKO)	259	256	+4	+1.5
(SSMI)	56	56	+0	+0.1

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

Details of Statements of Income

(FY2024 Forecast Announced on October 31, 2024 vs. FY2023)

(Unit: Billion yen, Yen per share)

	FY24/1H	FY24/2H	FY2024 Forecast	FY23/1H	FY23/2H	FY2023	Change
	Result (A)	Forecast (B)	(C)=(A)+(B)	(D)	(E)	(F)=(D)+(E)	(F) → (C)
Net Sales	168.4	173.6	342.0	185.3	168.6	353.8	-11.8
(Sanyo)	80.8	81.2	162.0	96.2	82.0	178.2	-16.2
(OVAKO)	70.8	74.2	145.0	74.1	69.9	144.0	+1.0
(SSMI)	12.0	13.0	25.0	11.2	11.7	22.9	+2.1
Operating Income	3.1	10.1	13.2	7.3	4.0	11.4	+1.8
(Sanyo)	2.4	4.8	7.2	2.7	1.6	4.3	+2.9
(OVAKO)	2.4	4.1	6.5	5.6	3.4	8.9	-2.4
(SSMI)	0.6	0.8	1.4	0.5	0.5	1.0	+0.4
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.6	-1.7	-3.2	-0.2
Ordinary Income	2.6	10.4	13.0	7.8	4.3	12.1	+0.9
(Sanyo)	5.3	6.2	11.5	6.9	2.1	9.0	+2.5
(OVAKO)	2.1	3.4	5.5	5.1	3.4	8.4	-2.9
(SSMI)	0.4	0.6	1.0	0.3	0.4	0.7	+0.3
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.6	-1.7	-3.2	-0.2
Net Income ^{*1}	1.5	8.0	9.5	5.2	3.8	9.1	+0.4
Earnings Per Share	28.2		174.4	96.1		166.2	+8.1
Operating Income before amortization of goodwill	4.8	11.8	16.6	8.9	5.7	14.6	+2.0
Ordinary Income before amortization of goodwill	4.3	12.1	16.4	9.4	6.0	15.4	+1.0
Net Income before amortization of goodwill	3.2	9.7	12.9	6.8	5.5	12.3	+0.6
Earnings Per Share before amortization of goodwill	59.6		236.8	125.3		225.8	+11.0
Sales Volume (Thousand tons)	683	725	1,408	739	690	1,429	-21
(Sanyo)	367	390	757	427	379	806	-49
(OVAKO)	259	276	535	256	252	508	+28
(SSMI)	56	59	116	56	59	115	+1

*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 October 31, 2024 vs. Previous Forecast)

(Unit: Billion yen, Yen per share)

	Revised Forecast (Announced on Oct. 31, 2024)			Previous Forecast (Announced on Jul. 30, 2024)			Change (F) → (C)
	FY24/1H	FY24/2H	FY2024	FY24/1H	FY24/2H	FY2024	
	Result (A)	Forecast (B)	(C)=(A)+(B)	Forecast (D)	Forecast(E)	(F)=(D)+(E)	
Net Sales	168.4	173.6	342.0	165.0	180.0	345.0	-3.0
(Sanyo)	80.8	81.2	162.0	80.0	83.0	163.0	-1.0
(OVAKO)	70.8	74.2	145.0	69.5	78.5	148.0	-3.0
(SSMI)	12.0	13.0	25.0	12.0	14.0	26.0	-1.0
Operating Income	3.1	10.1	13.2	2.6	9.7	12.3	+0.9
(Sanyo)	2.4	4.8	7.2	1.3	4.5	5.8	+1.4
(OVAKO)	2.4	4.1	6.5	2.4	4.8	7.2	-0.7
(SSMI)	0.6	0.8	1.4	0.6	0.8	1.4	—
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.7	-1.7	-3.4	—
Ordinary Income	2.6	10.4	13.0	2.5	10.5	13.0	—
(Sanyo)	5.3	6.2	11.5	4.7	5.8	10.5	+1.0
(OVAKO)	2.1	3.4	5.5	2.3	4.2	6.5	-1.0
(SSMI)	0.4	0.6	1.0	0.4	0.6	1.0	—
(Amortization of goodwill)	-1.7	-1.7	-3.4	-1.7	-1.7	-3.4	—
Net Income ^{*1}	1.5	8.0	9.5	1.2	8.3	9.5	—
Earnings Per Share	28.2		174.4	22.0		174.4	—
Operating Income before amortization of goodwill	4.8	11.8	16.6	4.3	11.4	15.7	+0.9
Ordinary Income before amortization of goodwill	4.3	12.1	16.4	4.2	12.2	16.4	—
Net Income before amortization of goodwill	3.2	9.7	12.9	2.9	10.0	12.9	—
Earnings Per Share before amortization of goodwill	59.6		236.8	53.2		236.8	—
Sales volume (Thousand tons)	683	725	1,408	671	767	1,438	-30
(Sanyo)	367	390	757	362	405	767	-10
(OVAKO)	259	276	535	253	296	549	-14
(SSMI)	56	59	116	56	66	122	-6

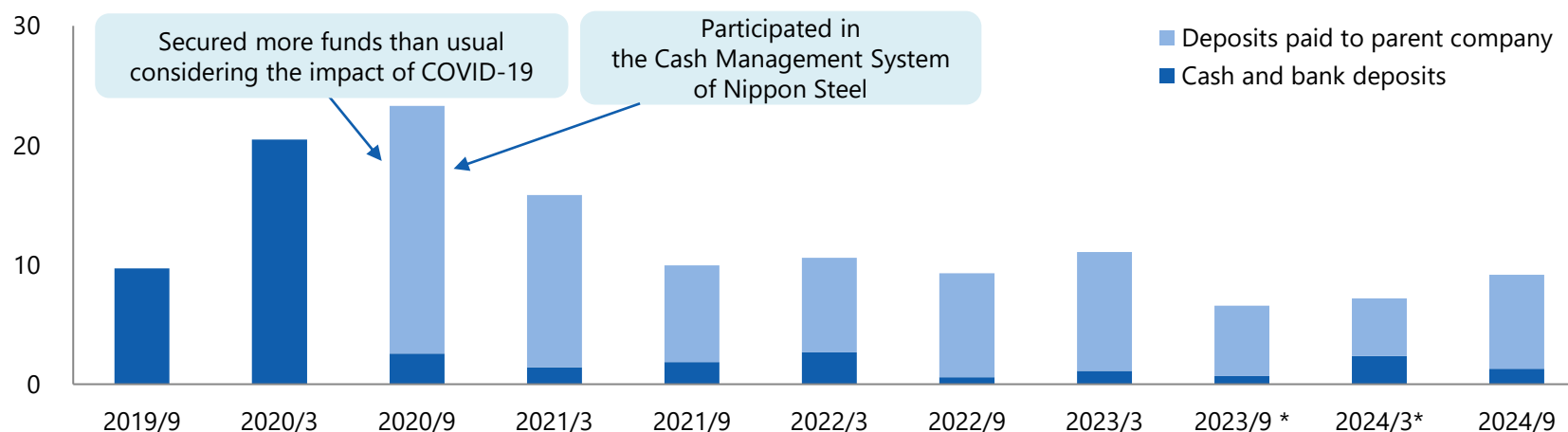
*1 Profit attributable to owners of parent *2 The consolidated accounting period for SSMI is Jan. to Dec.

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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