

**Tender Offer for the Company Shares
by Nippon Steel Corporation
Transformation into a wholly-owned affiliate of
Nippon Steel and delisting its shares**

January 31, 2025

SANYO SPECIAL STEEL Co., Ltd.

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



Santo-kun
(Our mascot)

Table of Contents

1 . Outline of the Transaction

- Overview of the Transaction
- Business Environment and Rationale for Endorsing the TOB
- Object of the Transaction; Increase Corporate Value and Leadership in Global Specialty Steel market

2. Synergies from the Transaction

- Enhance Technological Advantage Promote High Value-added Products on Global Basis
- Bolster Global Strategy and Expansion
- Accelerate Initiative towards Carbon Neutrality (CN)

3 . Reference

- Outline of the TOB
- Dividend Forecast for FY2024 (announced on January 31, 2025)

1. Outline of the Transaction

- **Overview of the Transaction**
- **Business Environment and Rationale for Endorsing the TOB**
- **Object of the Transaction;**
Increase Corporate Value and Leadership
in Global Specialty Steel market

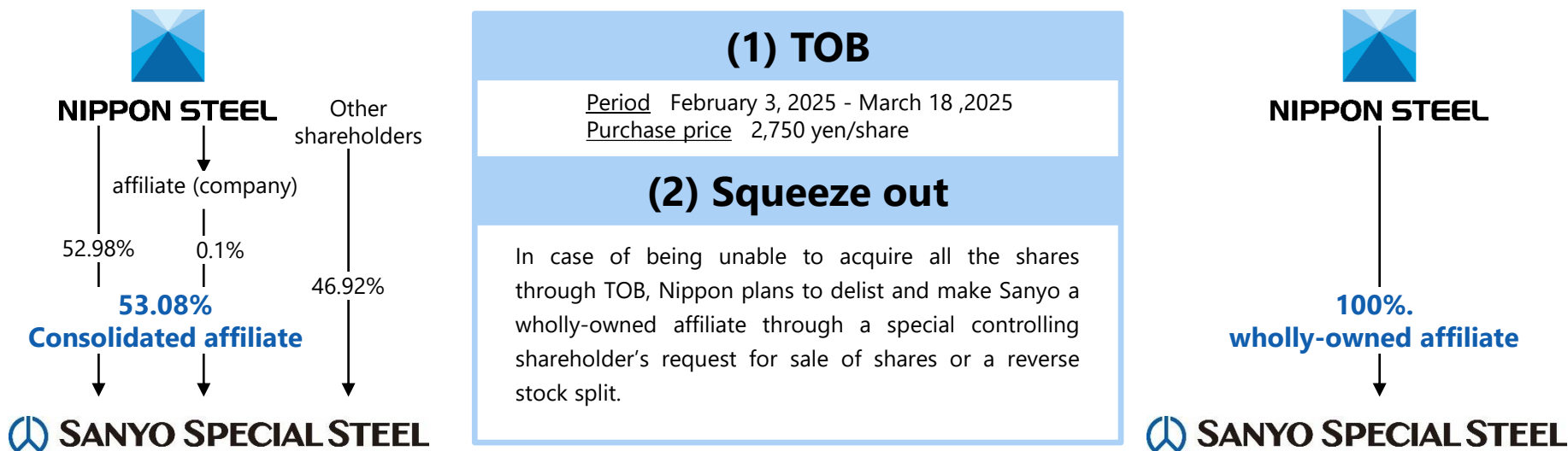
Overview of the Transaction

Full acquisition of Sanyo Special Steel by Nippon Steel through two-tier tender offer (TOB and Squeeze-Out)

Current

two-step acquisition

After



* Above ratio is based on the number of shares excluding treasury stocks held by Sanyo Special Steel.

(1) (2) Total acquisition amount: approx. **70.5** billion yen

*Company name unchanged

[Reference] Chronicle of collaboration between Sanyo Special Steel and Nippon Steel

Feb. 2006 : Signed Business Alliance Agreement and Nippon acquired additional shares of Sanyo (mutually benefited from production consignment etc. to address fluctuations in steel demand and intensifying global competition). Sanyo became an equity-method affiliate of Nippon.

Mar. 2019 : Nippon acquired shares in response to a third-party allotment of new shares by Sanyo, transforming Sanyo into a consolidated affiliate of Nippon. Onwards, Nippon, Sanyo and OVAKO together have successfully generated synergies of approximately 10 billion yen.

Business Environment and Rationale for Endorsing the TOB

Business Environment

Challenges surrounding the specialty steel business are becoming more complex on a global scale

- Decrease in domestic demand in key customer areas due to population decline and increasing conversion to EV's on medium- to long-term range, etc.
- Excess Production Capacity and aggressive Export Offensive from China
- Growing demand for specialty steel in markets such as North America and India.

Required support

New initiatives and actions crucial to overpower severe business environment and to further enhance medium- to long-term corporate value of both companies.

- Constant pursuit of optimal production structure and flow from a group-wide perspective
- Further promotion of integration and optimization, to strengthen competitiveness by accumulating management resources, including personnel exchanges
- Capturing growth opportunities in regions where demand for specialty steel is expected to develop, such as North America and India

Current Status. constraints

The sharing of technical information, complementing and mutually utilizing management resources, etc.
Certain constraints exist due to potential conflicts of interest with minority shareholders.

Mutual sharing of technical information



Decisions need to be made on an individual case-by-case basis

Complementing and mutually utilizing corporate resources



Individual companies may be biased in favor of one company, and both companies need time to make decisions and adjust their interests in consideration of minority shareholders. Bold measures to improve corporate value over the medium to long term are difficult to implement due to the risk of damaging the short-term interests of each individual company.

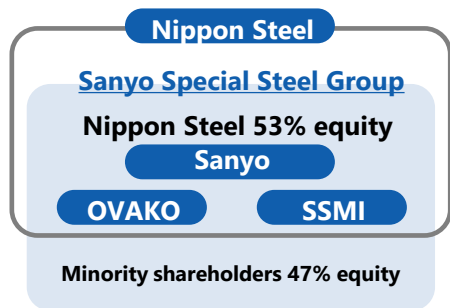
Sanyo Special Steel and Nippon Steel mutually consider establishing seamless relationship to be ideal and crucial to increase corporate value of both entities

Object of the Transaction; Increase Corporate Value and Leadership in Global Specialty Steel market

Integration of mutual specialty steel business
Expand profitability and further harmonize business strategies through optimization

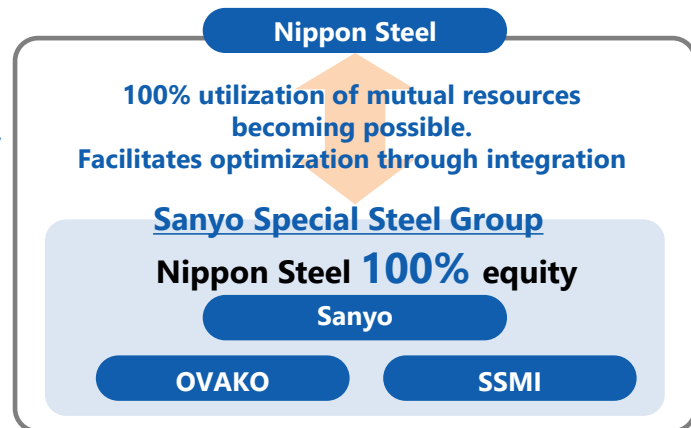
Further pursuit of optimal production structure

- ✓ Promoting synergies in production, technology, sales, procurement, and other areas.
 - ✓ Possessing analogous manufacturing facilities and products
(ex. Free-forging, Heat pressed products, Stainless steel)
 - ✓ Fully utilizing existing electric furnaces (150t and 60t furnaces), and reduction of GHG emissions.
 - ✓ Strengthening cooperation in high value-added products (stainless steel, steel pipes, free-forging products, etc.).
 - ✓ Enhancing technical proposal & solution capabilities
(Integrating technology, patents and expertise, enriching material variety and processing methods).
 - ✓ Effectively exploiting of global resources (Europe, India, North America).
- ✓ Elimination of excess capacity, reduction of maintenance cost and inefficient investment, by improving capacity utilization through concentrated production across companies, including order transfers, etc.
 - ✓ Enhancing groupwide profitability by mutually improving productivity, cost competitiveness and scarp procurement competences.



Constraints/Restrictions.
Constraints and restrictions to protect the interests of minority shareholders.

Eliminating constraints/restrictions by becoming a wholly-owned- affiliate



2. Synergies from the Transaction

- **Enhance Technological Advantage**
Promote High Value-added Products on Global Basis
- **Bolster Global Strategy and Expansion**
- **Accelerate Initiative towards Carbon Neutrality (CN)**

Enhance Technological Advantage

Promote High Value-added Products on Global Basis

■ Synergies with Nippon Steel regarding production

- Maximize utilization of existing electric furnaces (less GHG emission).
- Collaboration in high value-added Stainless Steel, Ingot Casting, Forging and Steel pipe (incl. stainless steel) products.
- Utilization and enhancing cooperation of Special Melting Furnaces (Semiconductors, Energy, Aerospace related products).

■ Synergies with Nippon Steel regarding technology

- Maximize utilization of Nippon Steel group's R&D functions (Nippon Steel R&D Center, Nippon Steel Technology, etc.).
- Strengthening collaboration with Sanyo's high cleanliness steel manufacturing technology.
- Strengthening of collaboration with Sanyo's high-value-added, high-alloy steel manufacturing technology.
- Expansion of Sanyo's R&D/manufacturing technologies for high-value-added alloy powders; i.e. alloy powders for AM (3D modelling) used in areas of aerospace (H3 rocket), energy and information technology.
- Maximize utilization of Sanyo's customer network in high value-added fields.
- Reinforce cooperation and synergies among the four companies, Sanyo, Nippon, OVAKO and SSMI, bolster and promote global strategy and expansion.



Electric Furnace Operation Technology



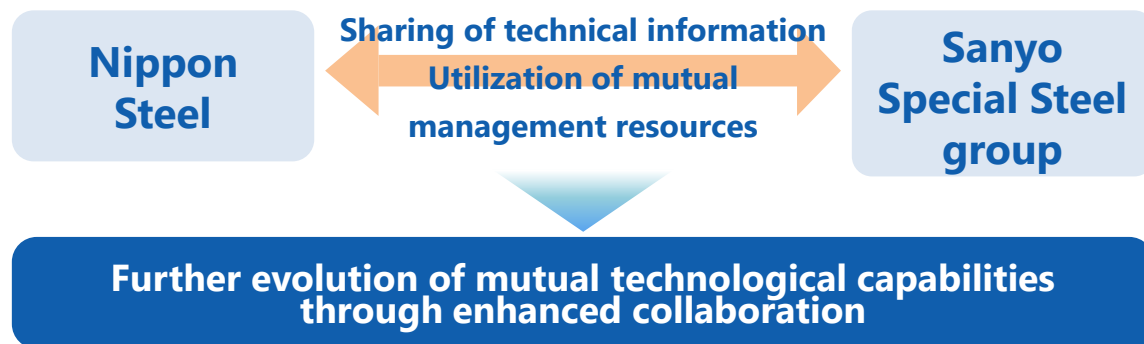
World record achieved by proprietary high cleanliness technology
Achieved 100 charge continuous casting without changing single tundish and immersion nozzle (2015)



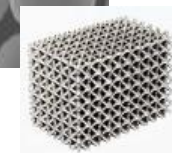
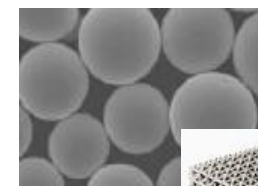
Process omitted steel and other steels developed by the Company



Development of long-life bearing steel for wind power generation equipment and other applications

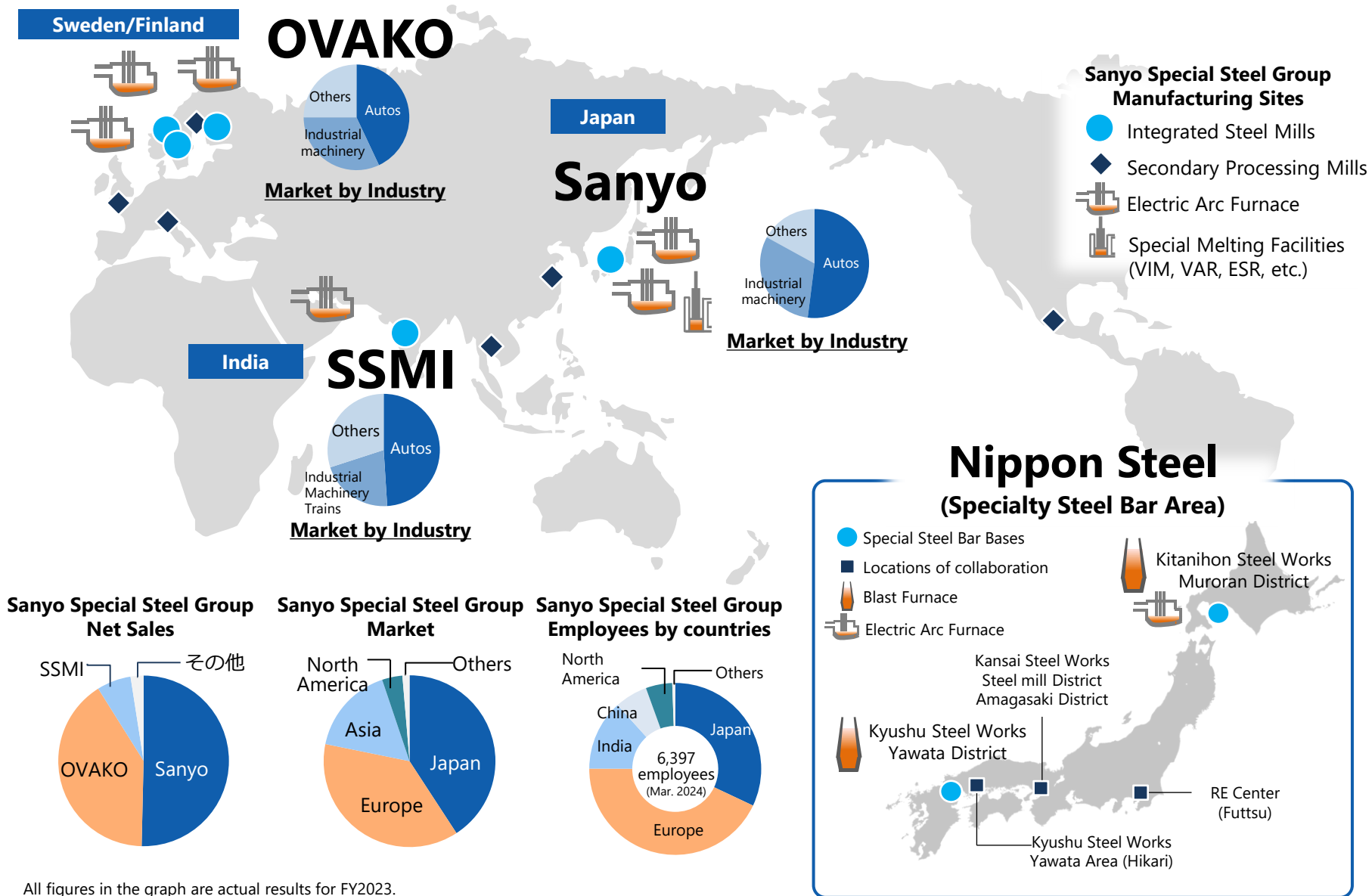


H3 rocket
Adoption to parts
(Powder products)



High functional powder for AM

Bolster Global Strategy and Expansion



All figures in the graph are actual results for FY2023.

Accelerate Initiative towards Carbon Neutrality (CN)

Sweden/Finland

OVAKO

- ✓ Utilizing Hydrogen operation capabilities
- ✓ Leading initiative in CN based on a blessed power source composition
- ✓ Securing lowest GHG emission intensity in the world※
(※ Internal assumption)

Based on the knowledge gained from operation of existing hydrogen plant, OVAKO is considering to introduce hydrogen plant at each of its steel mills, targeting 2030.



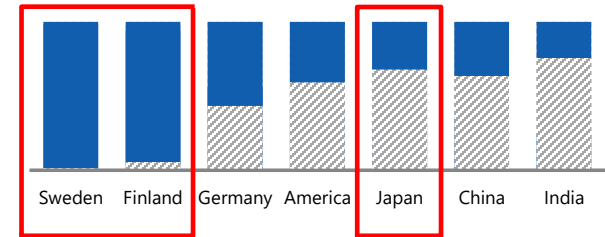
Largest OVAKO hydrogen plant electrolyzer in European private sector

Honorable Swedish Prime Minister Kristjönsson (center) attended the opening ceremony of the hydrogen plant.



Power source composition (2023)

Sweden and Finland, where OVAKO's production bases are located, have an overwhelmingly high ratio of fossil-free electricity (hydro, wind, and nuclear), and electricity prices are about 1/2 to 1/3 of those in Japan.



■ Fossil-free electricity ▨ Thermal power generation, etc.

*Made by Sanyo based on IEA's Monthly Electricity Statistics

Japan

Sanyo

- ✓ World leading operation technology of electric furnace
- ✓ Environment improvement through Eco-products and Eco-solutions contributing to lower GHG emission
- ✓ SBT Certified
- ✓ Promoting Scope 3 reduction, in addition to Scope 1 and 2

India

SSMI

- ✓ Versatile utilization of renewable energy



solar power generation

wind power generation

Japan

Nippon Steel

Development of 3 super-innovative technologies



Hydrogen injection into BF's



Hydrogen injection into BF's



High-grade steel production in a large electric furnace

Leading the world with initiative towards Carbon Neutrality based on technology and expertise

3 . Reference

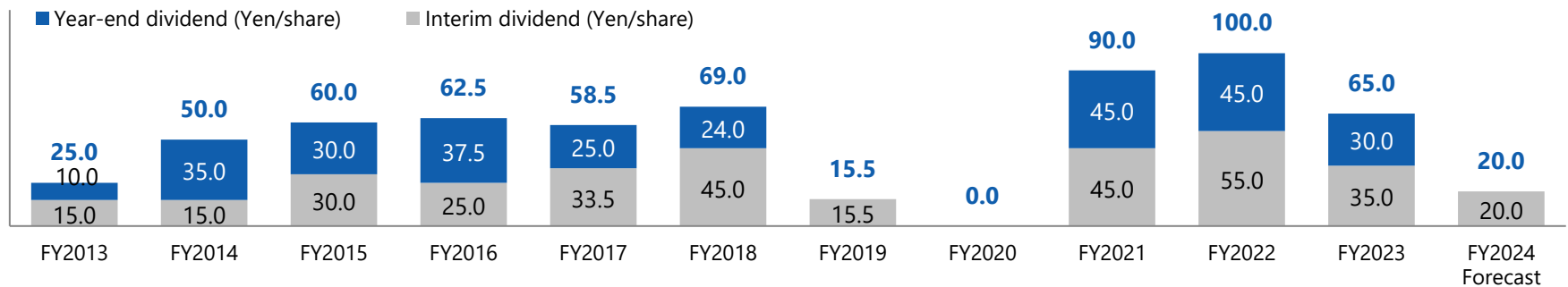
- **Outline of the TOB**
- **Dividend Forecast for FY2024 (announced on January 31, 2025)**

Outline of the TOB

Offeror	Nippon Steel Corporation (Securities Code: 5401 TSE Prime)
Target group	Sanyo Special Steel Co., Ltd. (Securities Code: 5481 TSE Prime)
Tender Offer Period	Feb. 3 – Mar. 18, 2025 (30 business days)
Purchase Price	2,750 yen per share
Premium	Closing price on Jan. 30 : 41.39% Average per month : 44.58% 3-month average : 47.85% 6-month average: 46.82%
Number of shares to be purchased	25,618,493 shares 【Minimum】 7,457,756 shares 【Maximum】 None
Total purchase amount	approximately 70.5 billion yen
Other	Jan. 31, 2025 In the Board of Directors of the Company, Already resolved to endorse the TOB and recommend that shareholders tender their shares

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.

(Cautionary Statement)

The Tender Offer is not directly or indirectly conducted in or into the United States, does not make use of the U.S. mails or other means or instrumentality of interstate or international commerce (including, but not limited to, telephone, telex, facsimile, email and internet communication), and is not conducted through any facility of a national securities exchange within the United States. No shareholder will be permitted to tender shares in the Tender Offer using the above-mentioned means or instrumentalities or through the above-mentioned facilities, or from the United States.

Furthermore, the press releases for the Tender Offer or other related documents are not, and shall not be, sent or distributed in, into or from the United States using mails or other means. No shares may be tendered in violation of the above-mentioned restrictions directly or indirectly.

SANYO SPECIAL STEEL - the Confident Choice



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