



Chun Yuan Steel Industry Co., Ltd.
Investor Conference
2022



Disclaimer

- The “forecast information” mentioned in this report is based on Chun Yuan observations and market information. The forward-looking information disclosed covers the company predict future operating profile, finance and performance.
- The operating profile, finance and performance mentioned in this report is the actual consequence of operation. It could be differ from forecast information, which may be due to various factors, including but not limited to the market supply and demand, cost fluctuations, price competition, policies and legislations, Economic changes and other risks beyond the control of the company.
- The content of the forecast information mentioned in this report responded to the situation at the time when information disclosed. There is any events or situation that occur after the disclosure date make the forecast information change, Chun Yuan will not undertake the responsibility and obligation to update the information.

Outline



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I、About Our Company

Overview



👤 Established : 1965

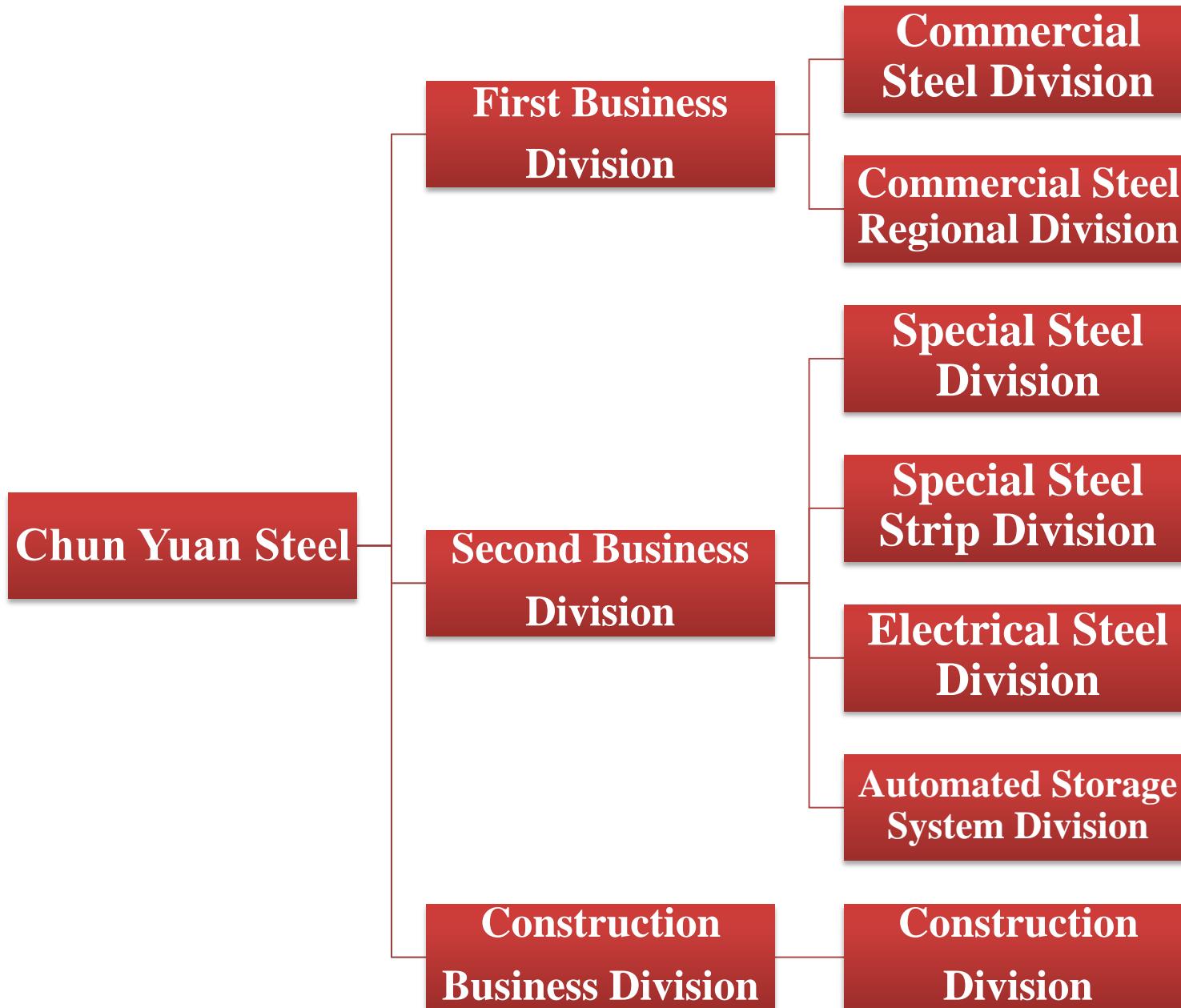
👤👤 Listed : 1989

👤👤👤 Capital : NTD 6.48 billion

👤👤👤👤 Headcount : about 1, 450



Domestic Business Divisions



Regional Bases (Taiwan)



Longtan Plant Area
Special Steel Strip Division
 -Rolling Plant
Automated Storage Division
 -Storage Plant
Construction Division
 -Steel Structure Plant
Special Steel Division
 -Longtan Branch Office

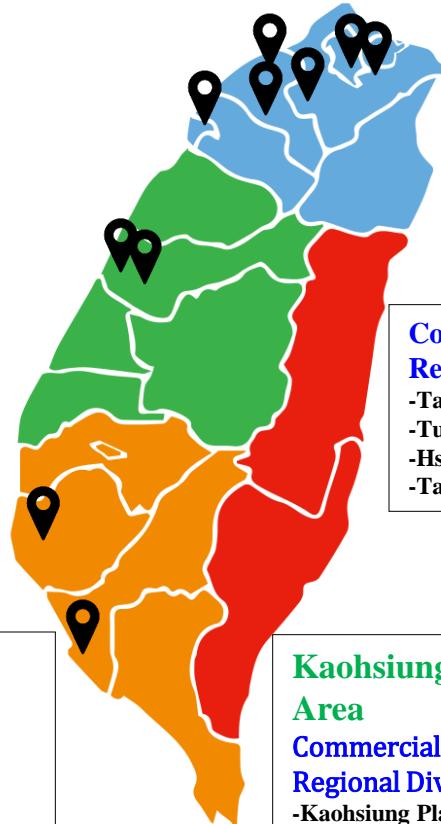


Electrical Steel Division
 -Sales Department
 -Taichung Plant



Tainan Plant Area
Commercial Steel Regional Division
 -Tainan Branch office
Special Steel Division
 -Tainan Branch office

Head Office



Xizhi Plant Area
Commercial Steel Division
 -Commercial Steel Xizhi Plant
Commercial Steel Regional Division
 -Xizhi Branch Office



Special Steel Division
 -Tucheng Branch Office
 -Taichung Branch Office



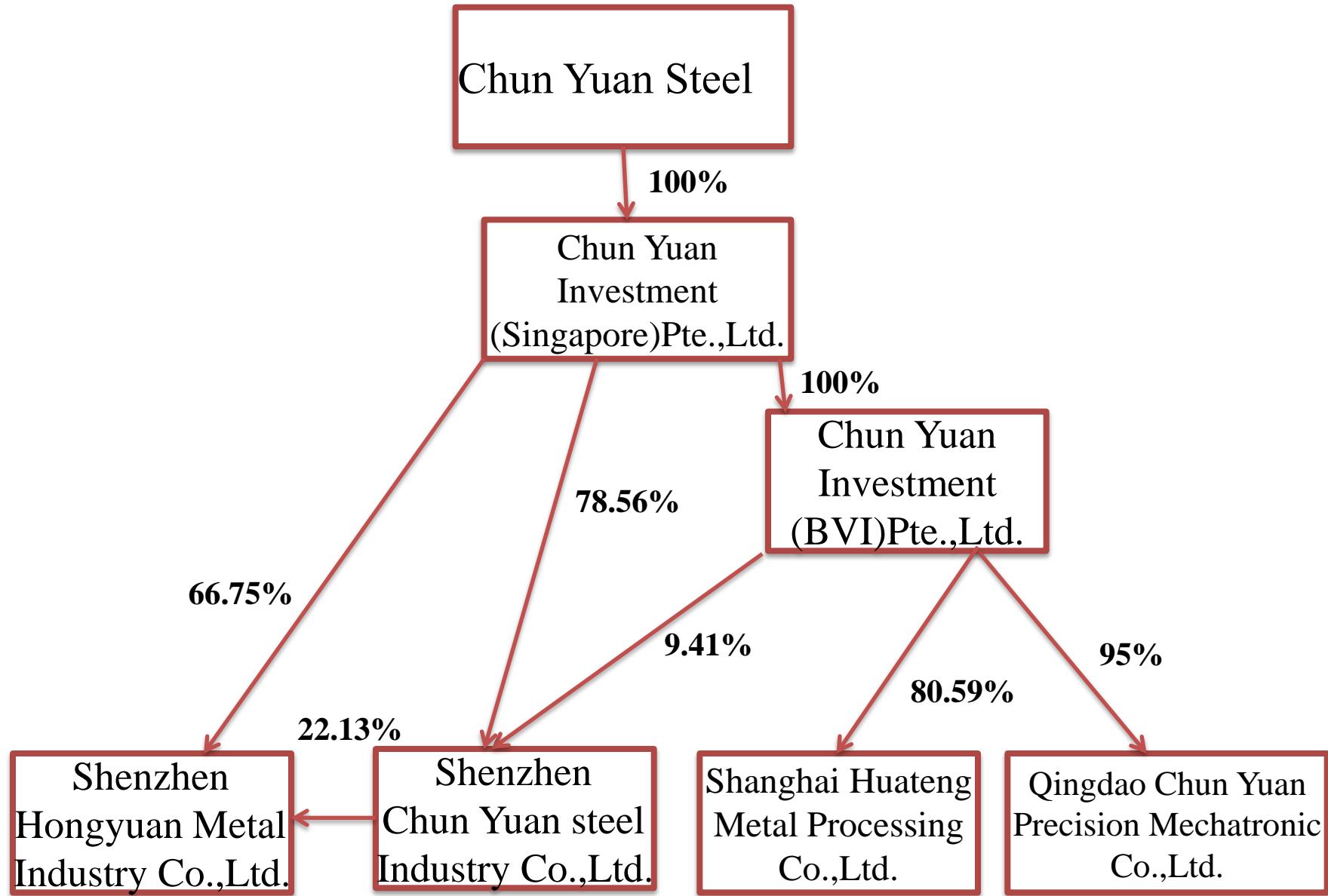
Commercial Steel Regional Division
 -Taoyuan Branch Office
 -Tucheng Branch Office
 -Hsinchu Branch Office
 -Taichung Branch Office



Kaohsiung Plant Area
Commercial Steel Regional Division
 -Kaohsiung Plant
Construction Division
 -Steel Structure Kaohsiung Plant Manufacturing Section 2
Special Steel Division
 -Kaohsiung Branch Office



Subsidiary Business



Regional Bases (China)



**Qingdao Chun
Yuan Precision
Mechatronic
Co., Ltd.**



**Shanghai Huateng
Metal Processing
Co., Ltd.**

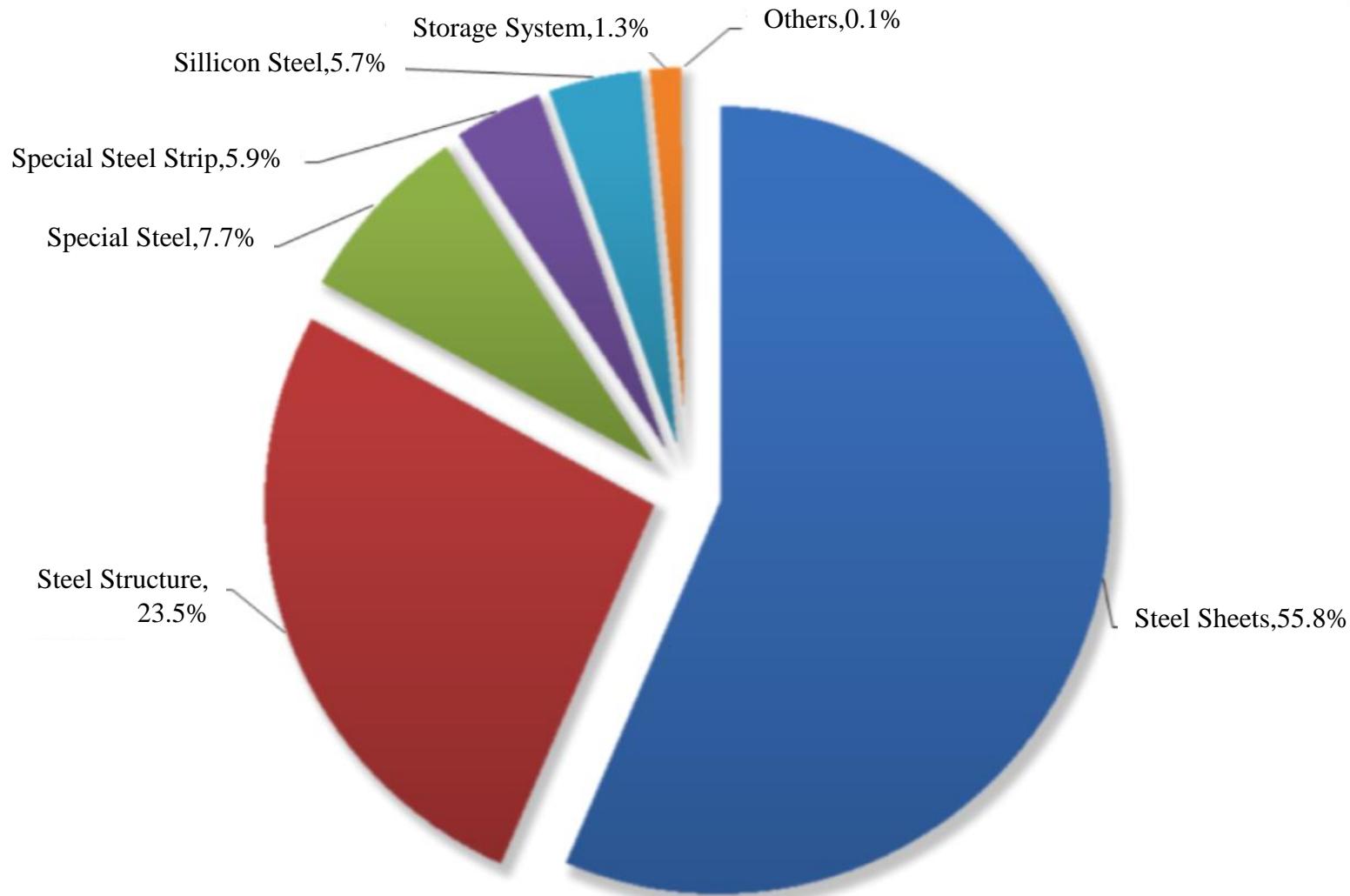


**Shenzhen Chun
Yuan Steel Industry
Co., Ltd.**

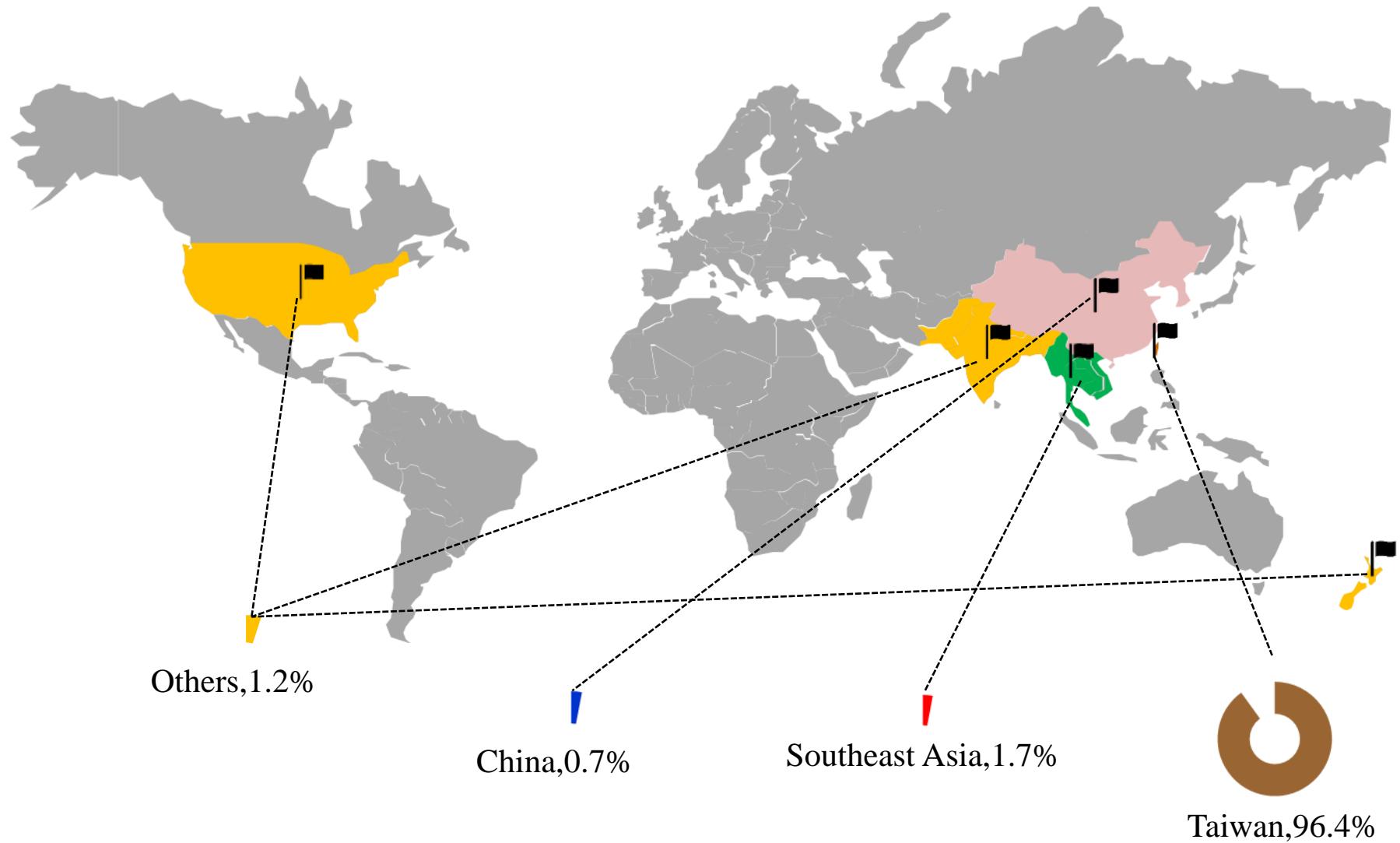


**Shenzhen Hongyuan
Metal Industry
Co., Ltd.**

Sales (by product)



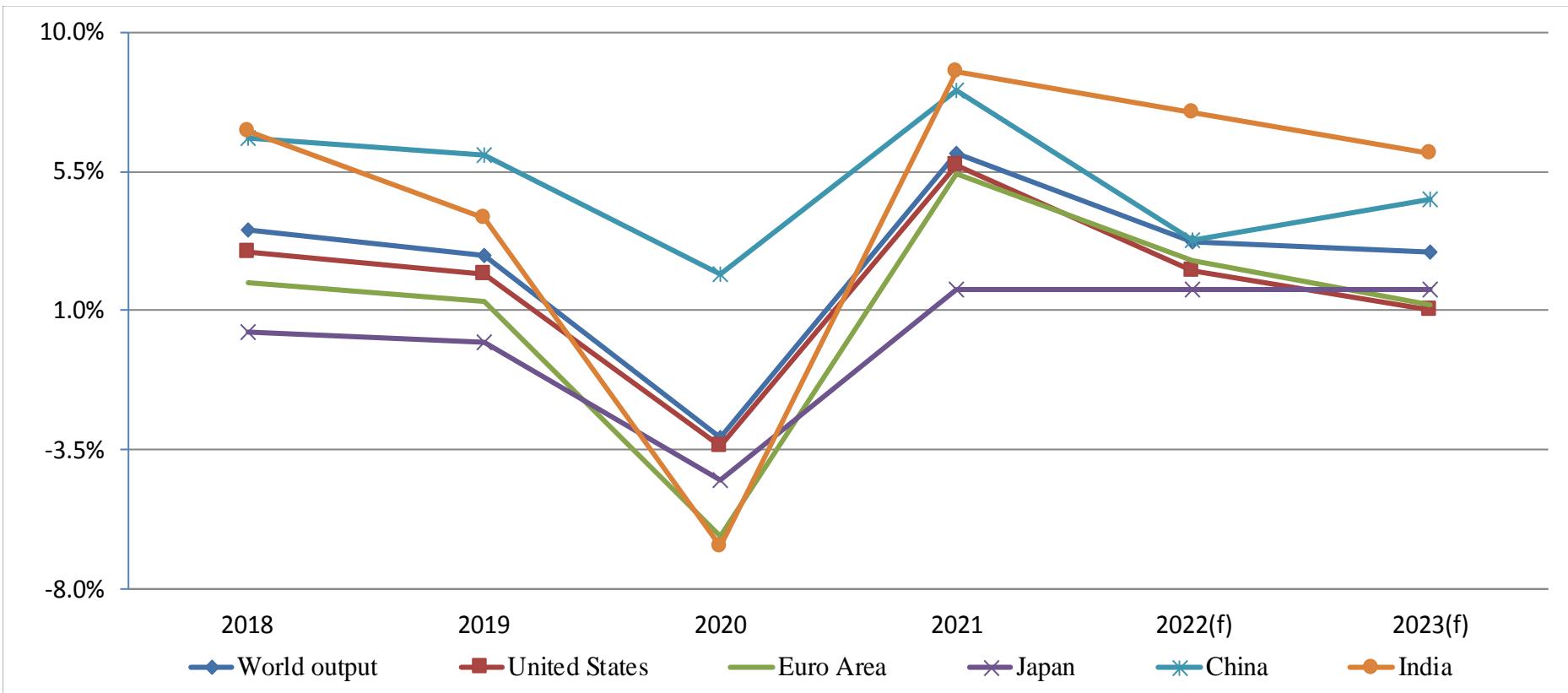
Sales (by market)



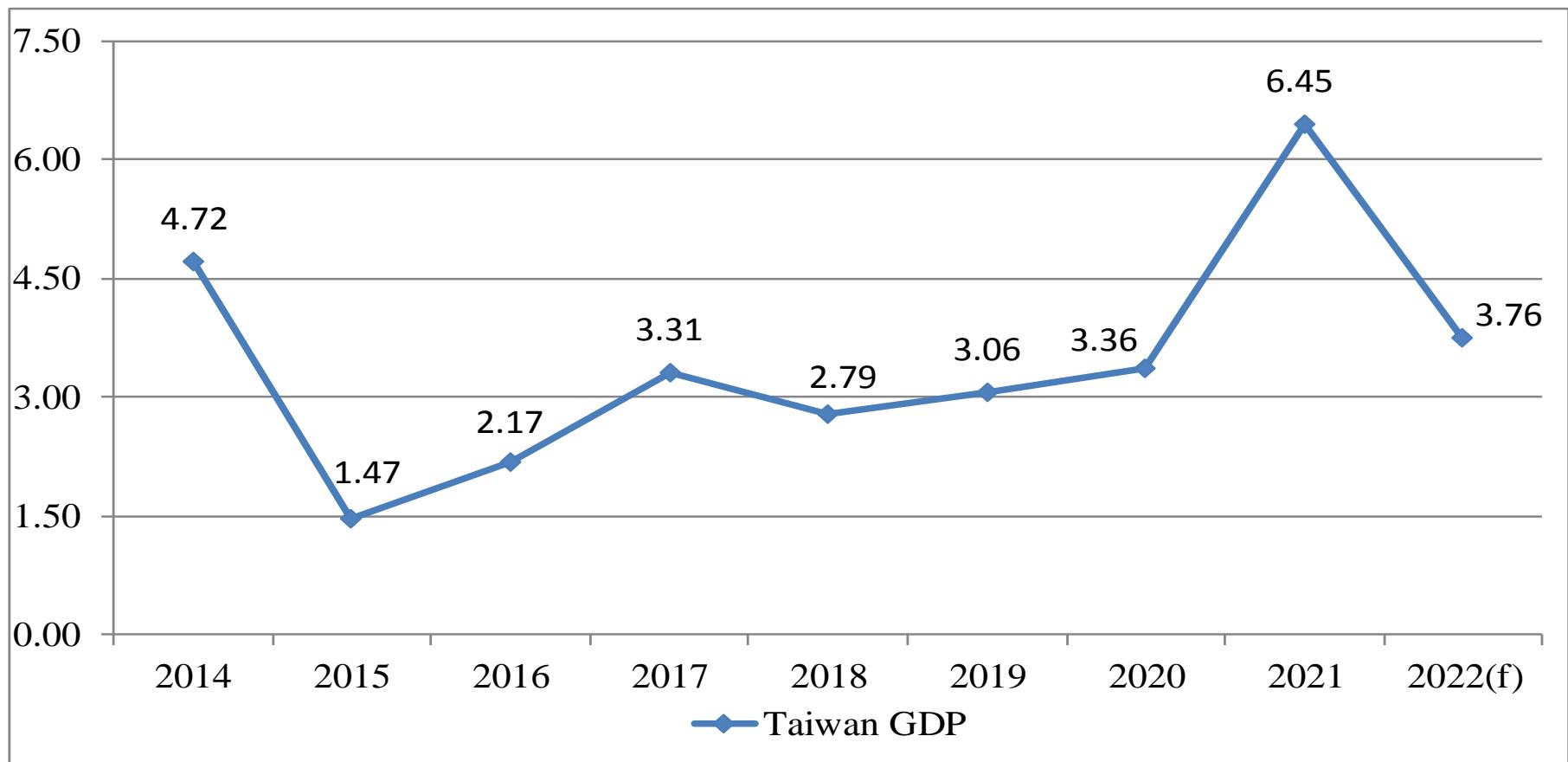


II 、 Industry Analysis

Macroeconomic-GDP

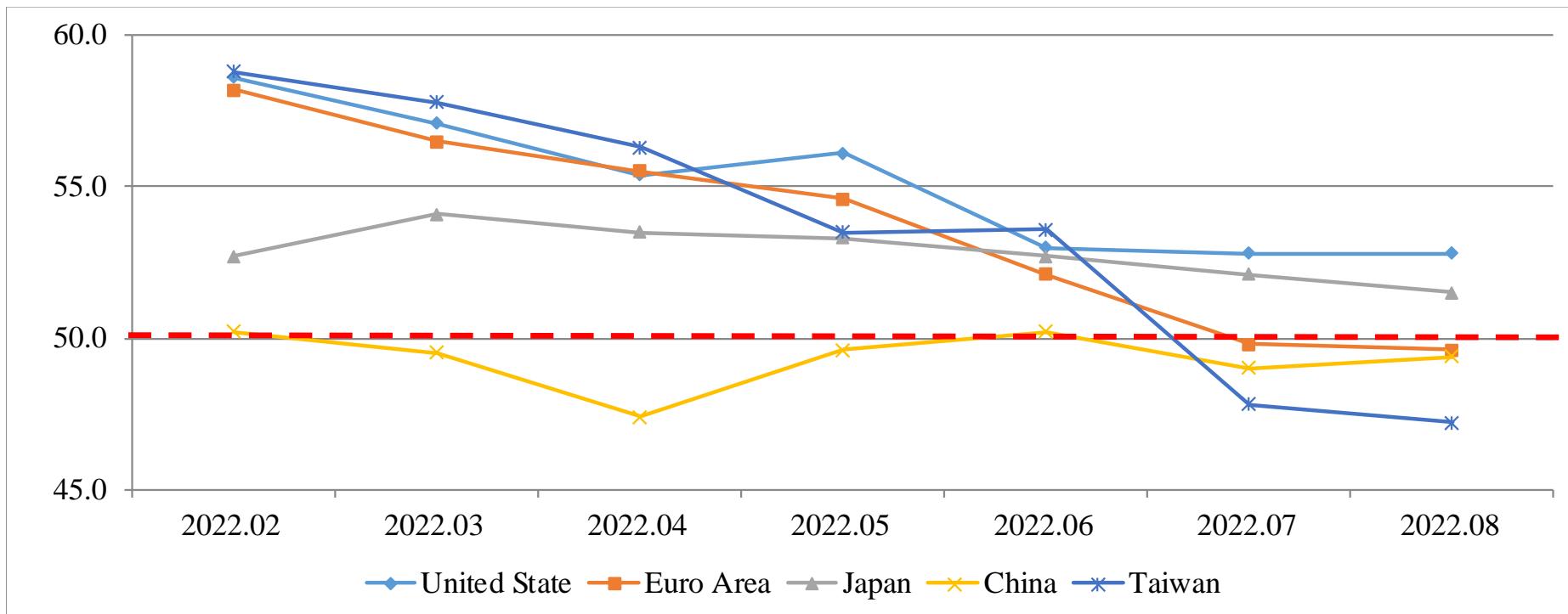


	Projections						Difference from last time	
	2018	2019	2020	2021	2022(f)	2023(f)	2022(f)	2023(f)
World output	3.6%	2.8%	-3.1%	6.1%	3.2%	2.9%	-0.4%	-0.7%
United States	2.9%	2.2%	-3.4%	5.7%	2.3%	1.0%	-1.4%	-1.3%
Euro Area	1.9%	1.3%	-6.3%	5.4%	2.6%	1.2%	-0.2%	-1.1%
Japan	0.3%	0.0%	-4.5%	1.7%	1.7%	1.7%	-0.7%	-0.6%
China	6.6%	6.0%	2.2%	8.1%	3.3%	4.6%	-1.1%	-0.5%
India	6.8%	4.0%	-6.6%	8.7%	7.4%	6.1%	-0.8%	-0.8%



	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)
Taiwan GDP	4.72	1.47	2.17	3.31	2.79	3.06	3.36	6.45	3.76

Macroeconomic-PMI



	2022.02	2022.03	2022.04	2022.05	2022.06	2022.07	2022.08
United States	58.6	57.1	55.4	56.1	53.0	52.8	52.8
Euro Area	58.2	56.5	55.5	54.6	52.1	49.8	49.6
Japan	52.7	54.1	53.5	53.3	52.7	52.1	51.5
China	50.2	49.5	47.4	49.6	50.2	49.0	49.4
Taiwan	58.8	57.8	56.3	53.5	53.6	47.8	47.2

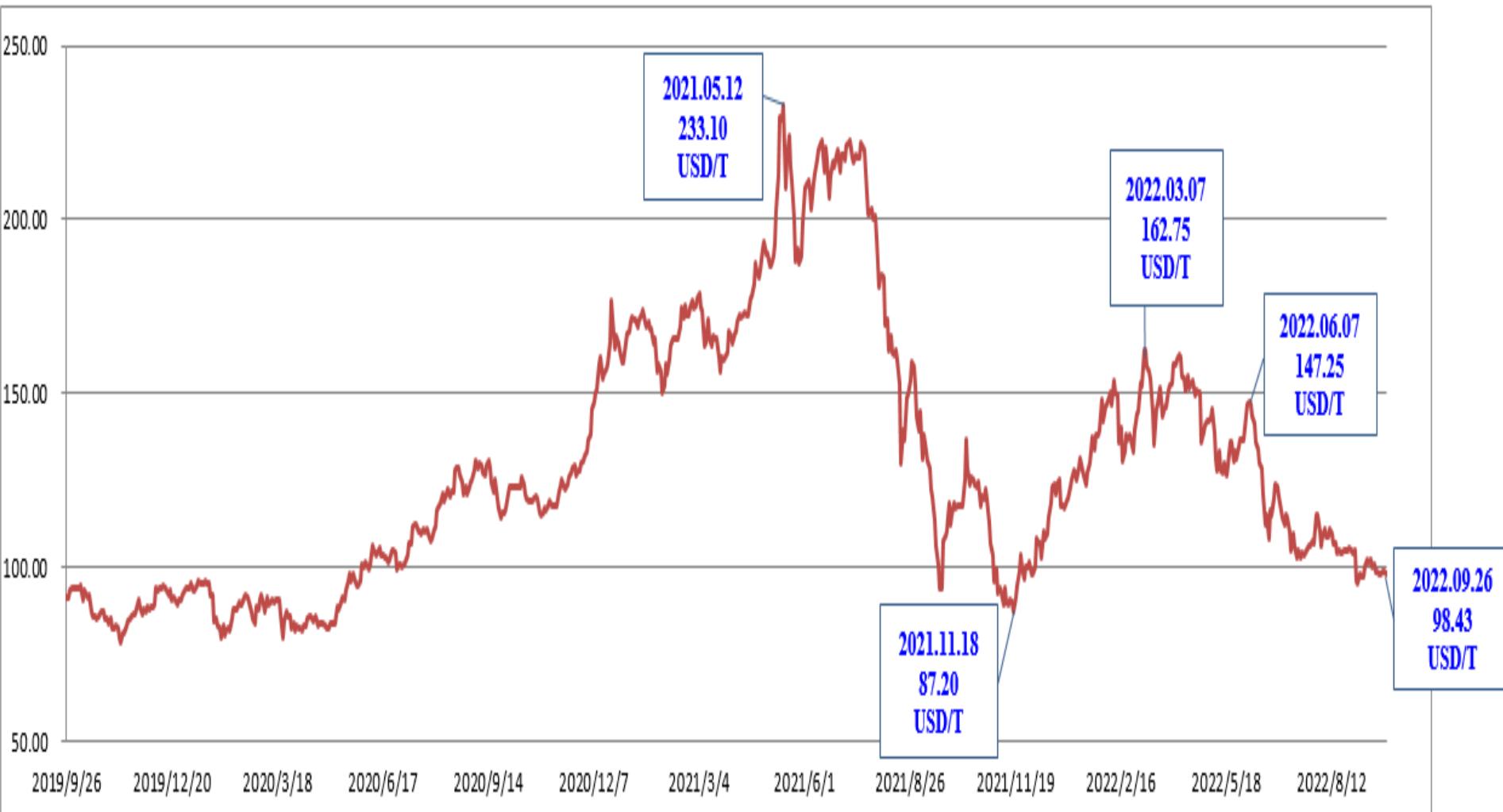
Macroeconomic-Crude Steel

Million Tonnes

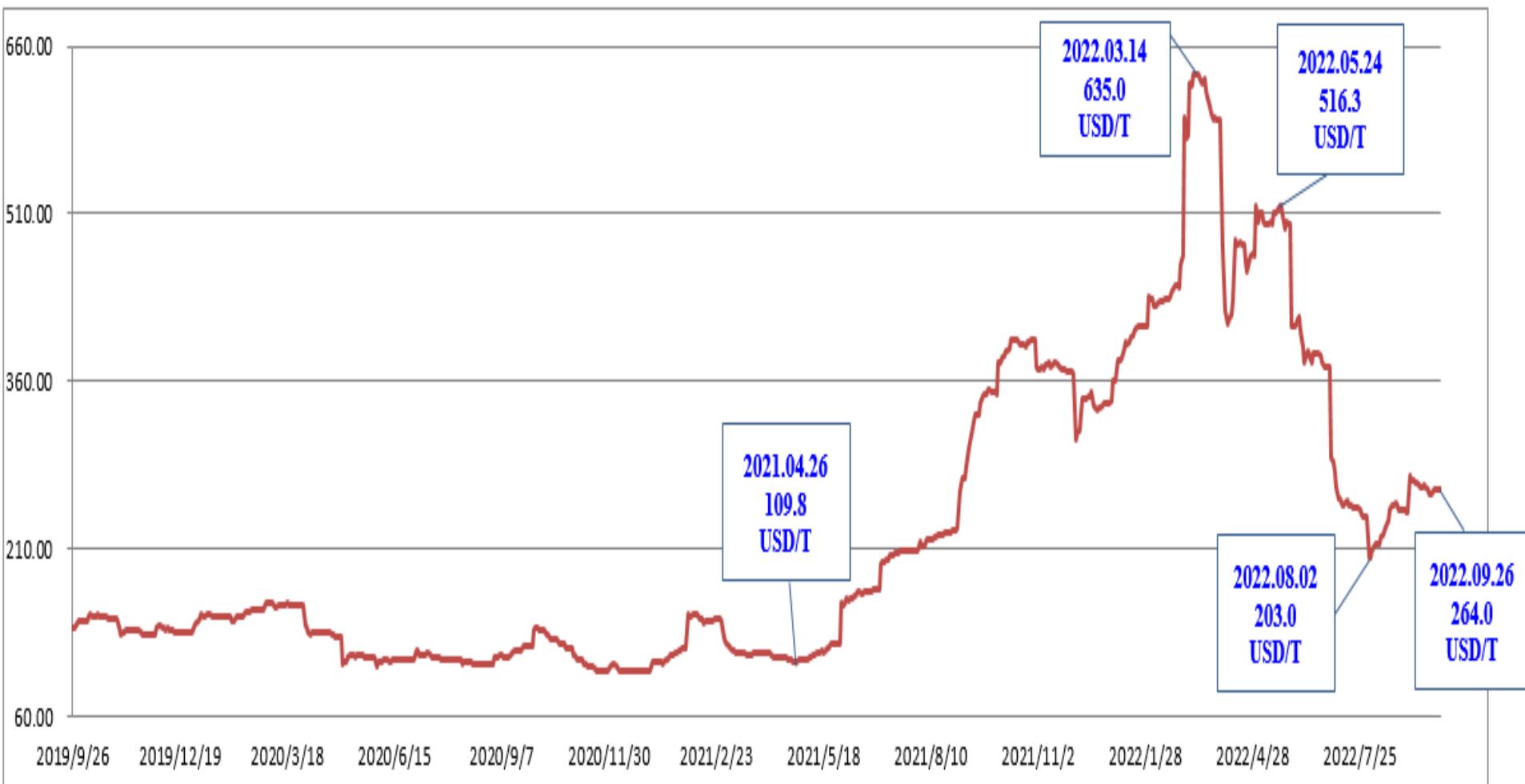
regions	2019	2020	2021	2022. 01~ 06	Y.O.Y
Africa	14.0	12.6	16.0	7.3	-9.1%
Asia and Oceania	1,336.5	1,357.2	1,382.0	701.4	-4.8%
Russia and other CIS	100.2	101.8	105.6	24.0	-8.5%
EU(27)	157.3	138.8	152.5	73.8	-6.2%
Other Europe	37.3	38.8	51.2	24.0	-5.0%
Middle East	39.7	40.7	41.2	20.4	-5.9%
North America	119.7	101.1	117.8	57.2	-2.3%
South America	41.7	38.2	45.6	21.8	-2.8%
World	1,846.4	1,829.1	1,950.5	949.4	-5.5%

World Steel Association forecasted that steel demand will reach 1,840.2 Mt in 2022.

Macroeconomic-TSI Iron Ore CFR China (62% FE Fines) Index



Macroeconomic-TSI FOB Australia Premium Coking Coal Futures



Market Outlook-Vehicle

Type	2021.1~8	Market Share	2022.1~8	Market Share	Difference	Difference Rate
Domestic	156,085	53.3%	157,283	57.0%	1,198	0.8%
Imported	136,934	46.7%	118,476	43.0%	-18,458	-13.5%
TOTAL	293,019	100.0%	275,759	100.0%	-17,260	-5.9%

Rank	Brand	2021.1~8	2022.1~8	Market Share
1	Toyota	79,818	81,267	29.5%
2	Honda	17,470	18,378	6.7%
3	Ford	18,444	16,497	6.0%
4	Nissan	18,072	15,876	5.8%
5	CMC	15,834	14,985	5.4%
6	M-Benz	19,819	14,761	5.4%
TOTAL		293,019	275,759	100.0%

Considering that Pandemic and the supply shortage are still severe, the Taiwan vehicle market sales in 2022 will hardly surpass in 2021.

Market Outlook-Scooter

Type	2021.1~8	Market Share	2022.1~8	Market Share	Difference	Difference Rate
Fossil Fuel	415,729	89.8%	405,228	88.4%	-10,501	-2.5%
Electric	47,436	10.2%	53,296	11.6%	5,860	12.4%
TOTAL	463,165	100.0%	458,524	100.0%	-4,641	-1.0%

Rank	Brand	2021.1~8	2022.1~8	Market Share
1	Kymco	143,070	128,992	28.1%
2	SYM	125,651	150,048	32.7%
3	Yamaha	112,162	92,983	20.3%
4	Gogoro	39,690	39,883	8.7%
5	Others(Suzuki、Honda、etc)	42,592	46,618	10.2%
TOTAL		463,165	458,524	100.0%

With the Pandemic, there is still the shortage of chips and components, we forecast market conservatively in 2022.

Market Outlook-Construction

Industry Operating indicates(2022.08)



1. In recent years, due to the return of Taiwanese Businesses, TSMC's plant expansion and the strong performance of the real estate market, the steel structure market is in short supply.
2. Taiwan Institute Economic Research (TIER) pointed out that, due to the high cost of construction, labor shortage, and the continuing impact of the epidemic, the construction industry is expected to remain flat in the second half of 2022. However, domestic steel structure mills, by public works and logistics warehouse demand growth, 2022 operations are expected to climb the peak.
3. Looking ahead to 2023, many public works projects that have been aborted due to the increase in raw materials will be reopened with additional budget, which is expected to add growth momentum to the steel structure mills in the next 2 to 3 years.



III、Operating Performance

Consolidated Balance Sheets

Unit: NT\$ thousand

	2022Q2		2021Q2	
	Amount	%	Amount	%
Current assets	16,239,902	71	15,667,258	70
Non-current assets	6,634,476	29	6,617,138	30
Total Assets	22,874,378	100	22,284,396	100
Current liabilities	10,428,899	45	10,125,464	45
Non-current liabilities	1,081,960	5	972,397	5
Total Liabilities	11,510,859	50	11,097,861	50
Total Equity	11,363,519	50	11,186,535	50

Consolidated Statements Of Comprehensive Income

Unit: NT\$ thousand

	2022Q2		2021Q2	
	Amount	%	Amount	%
Revenues	12,886,714	100	12,204,913	100
Gross profit	914,774	7	1,209,187	10
Operating income	500,994	4	706,036	6
Profit before tax	543,512	4	819,656	7
Profit	421,407	3	656,693	6
Total comprehensive income	(13,776)	-	(63,901)	-1

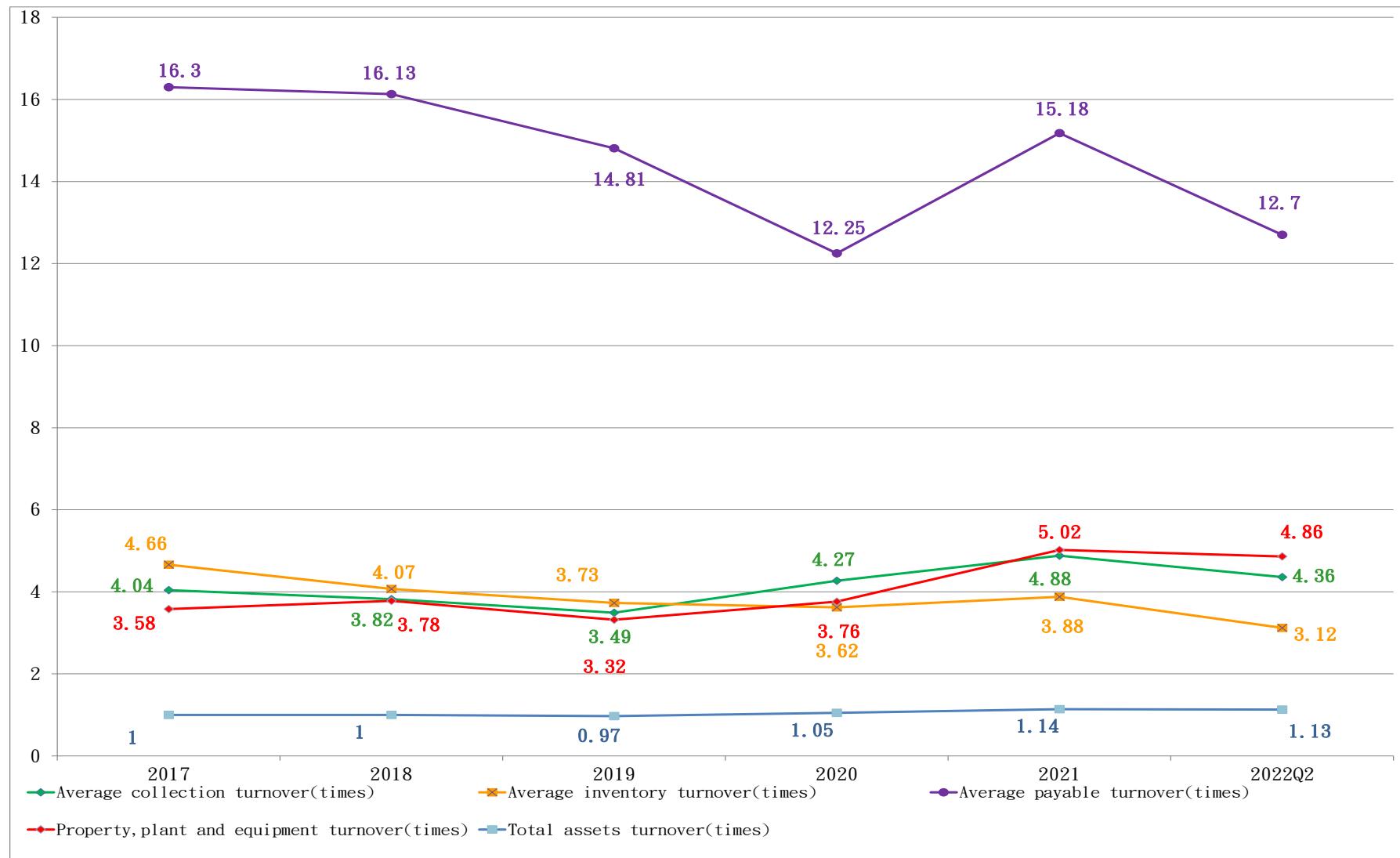
Financial Ratio Analysis

		2022Q2	2021Q2
Operating Performance Analysis	Average collection turnover (times)	4. 36 ↓	4. 56
	Average collection days	84 ↑	80
	Average inventory turnover (times)	3. 12 ↓	3. 96
	Average inventory days	117 ↑	92
	Average payable turnover (times)	12. 70 ↑	12. 53
	Property,plant and equipment turnover (times)	4. 86 ↑	4. 7
	Total assets turnover (times)	1. 13 ↑	1. 1

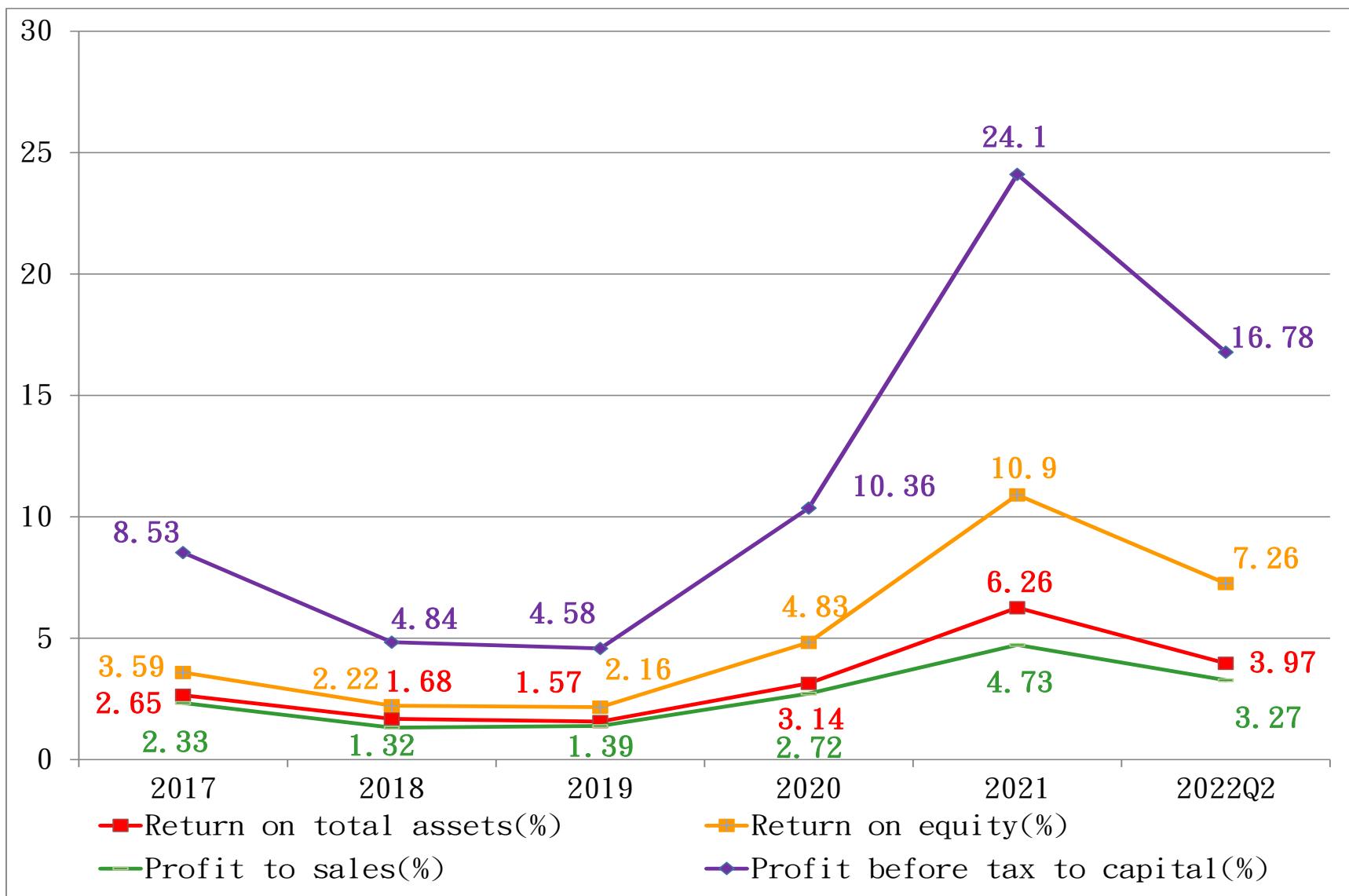
Financial Ratio Analysis

	2022Q2	2021Q2
Profitability Analysis	Return on total assets (%)	3.97 ↓
	Return on equity (%)	7.26 ↓
	Profit before tax to capital(%)	16.78 ↓
	Profit to sales (%)	3.27 ↓
	EPS(NT\$)	0.65 ↓

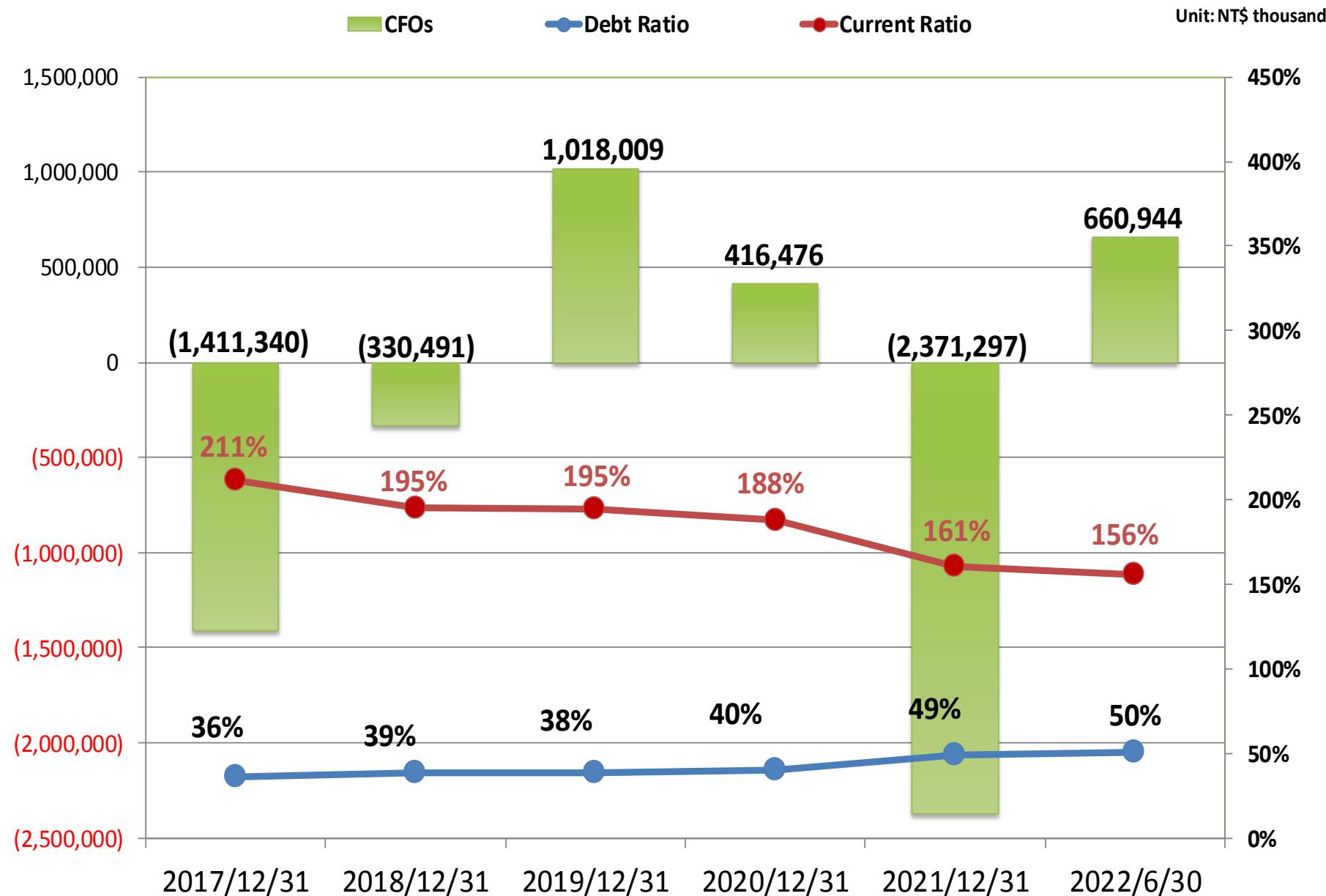
Operating Performance Analysis



Profitability Analysis

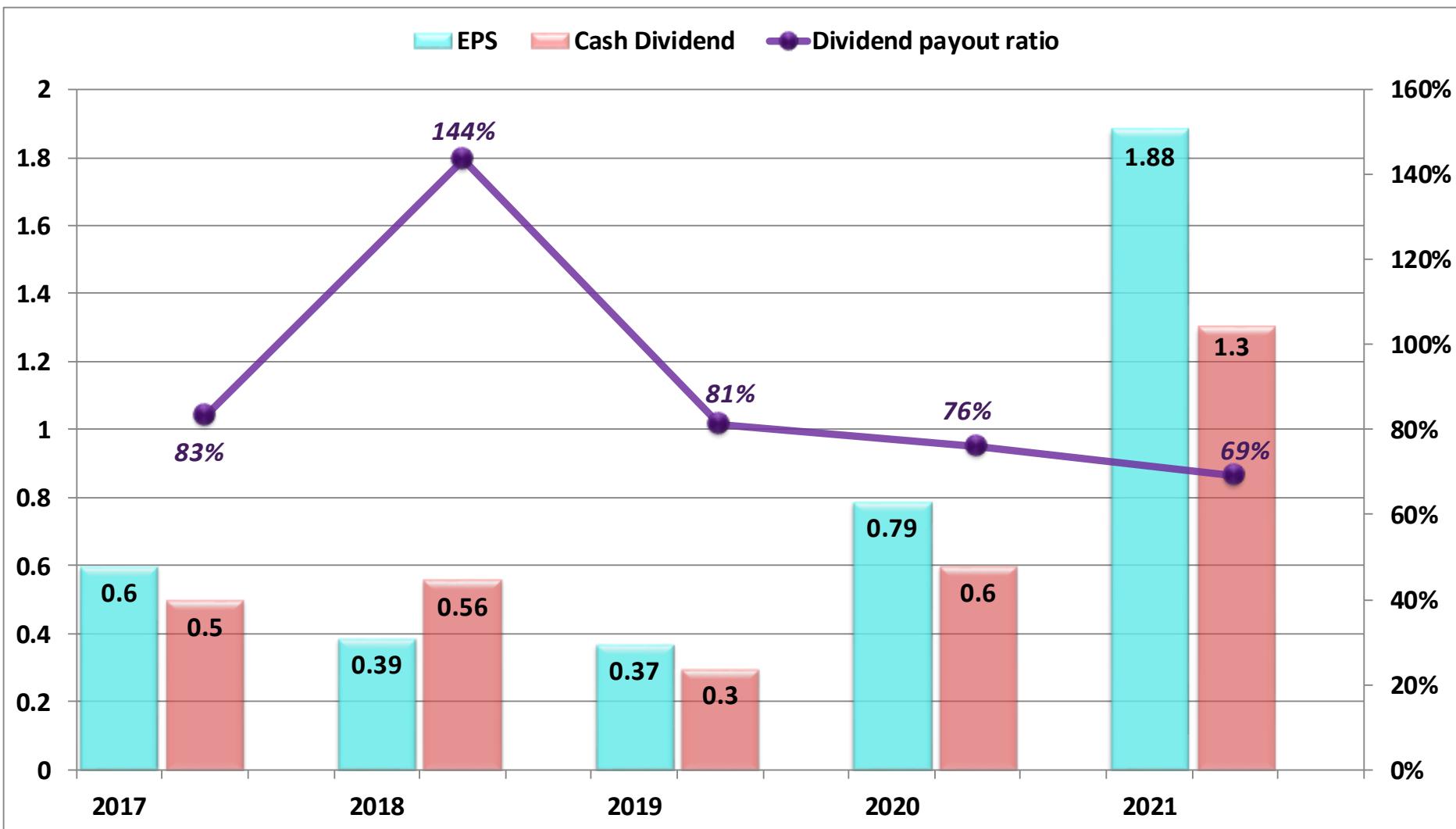


Financial Review



Historical EPS and Dividends Paid

Unit: NT\$





IV、Strategies

Strategies

1. Customer Management



1. Consolidate existing customers, develop new customers and increase market share.
2. Pay attention to the political & economic situations and industrial trends, explore business opportunities aggressively.



2. Inventory Management

1. Procure material cautiously, perform optimal inventory management.
2. Search for competitive sources and expand procurement channel.
3. Reduce inventory turnover days to avoid capital tied-up.
4. Implement more than 6 months inventory eliminated plan.

Strategies

3.Rationalization of Costs



1. Propose expense rationalization plans.
2. Propose and implement working procedure and efficiency improvement programs.



4.Account Management

1. Visit customers frequently, catch-up customers' real-time status.
2. Renew and review customers' credit data regularly, implement customers' credit investigation and AR management to prevent bad debt.
3. Increase collection rate and shorten tenor, construct reasonable operating conditions.

Strategies

5.Talent Cultivation



1. Conduct human resource planning, and plan recruitments accordingly.
2. Conduct job rotation continuously and cultivate multi-skilled abilities.
3. Improve education and training plans.
4. Cultivate and improve to obtain the certifications of key technical staff.

6.R&D and Innovation



1. Technology R&D strategies :
 - ① Labor-saving process and automation
 - ② New technique, new manufacturing process
2. Market R&D strategies :
 - ① New materials, new products
 - ② New markets

Strategies



7. Equipment Investment

1. Inventory all equipment, draw up a replacement plan.
2. Give careful consideration to the investment plans.
3. Track the performance of each equipment investment, and propose the difference improvement plan.
4. Implement equipment scheduled maintenance to ensure operating and to extend machine lifetime.



8. Plant Investment

1. Ensure the approved investment of plant and office investments can be completed on schedule.
2. Administrative units to assist, support, check, and track investment progress.

Green Energy-Solar Energy

Taoyuan Plant Area (Power Generation 851,200kW)



Green Energy-Solar Energy

Kaohsiung Plant Area (Power Generation 1,107,951 kW)



Green Energy-Solar Energy

Tainan Plant Area (Power Generation started at 2022.07)



Awards

2021

- Recognized as outstanding supplier by TSMC in 2021
- Outstanding Directorship Award for Industry & Mining Organizations from the Chinese National Federation of industries
- Evergreen Business 50-Year Achievement Award
- CSD : The 34th Taiwan Continuous Improvement Awards, Silver Medal Bronze Medal (Commercial Steel Division, Xizhi Plant / Special Steel Strip Division, Rolling Plant)



2020

Ministry of Labor : TTQS Talent Quality-Management System Evaluation (corporate version) Gold Medal



2019

Ministry of Labor : TTQS Talent Quality-Management System Evaluation (corporate version) Gold Medal

CSD : The 32th Taiwan Continuous Improvement Awards, Silver Medal (Commercial Steel Division, Xizhi Plant) / **Bronze Medal** (Special Steel Strip Division, Rolling Plant)

1111 : Happy Enterprise



**Sincerity、Confidence、
Diligence、Responsibility**

**Chun Yuan Steel
Thank you for your time.**

