



**NIPPON STEEL &
SUMITOMO METAL
CORPORATION**



SANYO SPECIAL STEEL

Regarding the Agreement to Make Sanyo Special Steel a Subsidiary of Nippon Steel & Sumitomo Metal and Other Matters

August 2nd, 2018



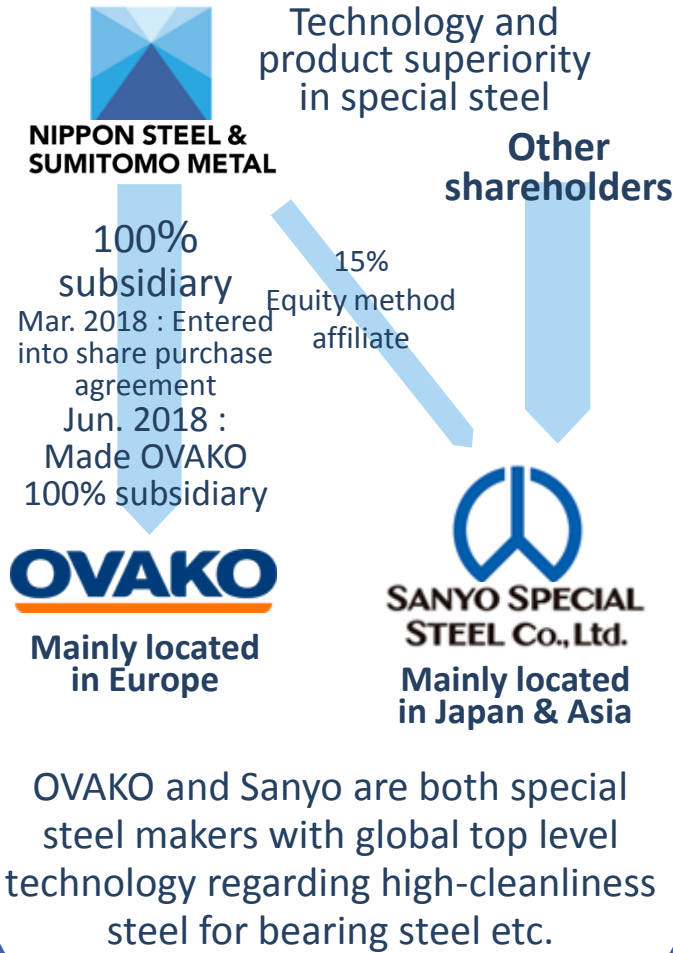
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SANYO SPECIAL STEEL

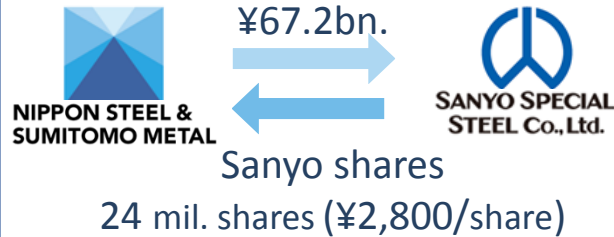
Overview of Special Steel Business's Integration & Reorganization ²

As Is



Integrate and Enhance

(1) NSSMC will underwrite Sanyo's Third Party Allotment



(2) NSSMC will transfer all the shares of OVAKO to Sanyo



To Be



Vision and Expected Synergies

Realize synergies of ¥10 bn. /year as NSSMC group

by addressing globalization of customers' business & increasing needs for high-quality special steel products

Efficient production for the NSSMC group as a whole

Capability to respond to customer's needs

Cost reduction for procurement

Establish optimal production structure by region

Share operation know-how

Mutual use of logistics networks

Mutual use of marketing & sales networks

Strengthen proposal capabilities through joint R&D

Efficient material transportation

Centralized purchasing

 **NIPPON STEEL & SUMITOMO METAL**

 **SANYO SPECIAL STEEL Co., Ltd.**

 **OVAKO**

Combine business foundations, technical capabilities & product development capabilities

Stable management foundation

Enhanced by NSSMC groups' support for global management

Integrated business operation

NSSMC group's synergy

+

Sanyo & OVAKO Synergy
More than ¥5bn./y

Schedule

Aug 2nd, 2018 – Execution of agreements, (a) making Sanyo Special Steel a subsidiary of NSSMC,
(b) transferring all the shares of OVAKO to Sanyo from NSSMC

After Aug, 2018 – Approval from competition authorities in Japan and overseas

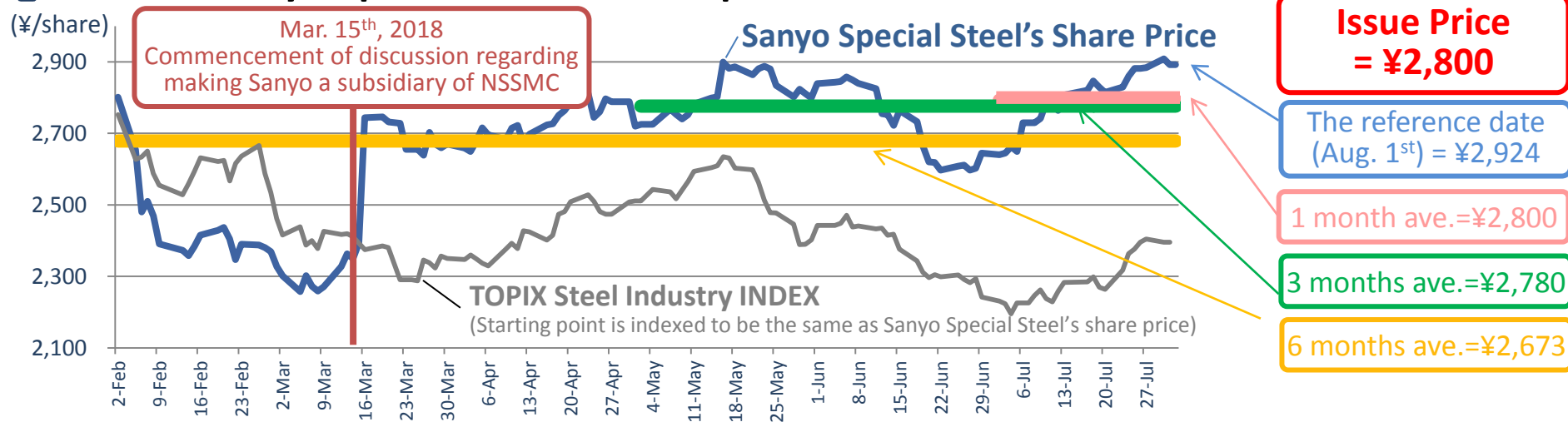
Around Feb. 2019 (plan) – Extraordinary general shareholders' meeting of Sanyo

Mar. 28th, 2019 (plan) – Payment date of Third-Party Allotment

Transfer all the shares of OVAKO to Sanyo

In addition, the policy is to maintain the listing of Sanyo Special Steel on the First Section of the TSE.

Trend of Sanyo Special Steel's share price



Cf.1 **Taking OVAKO into NSSMC's consolidated accounting**

BS : End of FY2018.1Q (Apr. to Jun.) ~

PL : Taking OVAKO's FY2018.3Q (Jul. - Sep.) into
NSSMC's FY2018.3Q (Oct. - Dec.)

Cf.2 **Taking OVAKO into Sanyo's consolidated accounting**

BS : End of FY2018.4Q (Jan. to Mar.) ~

PL : Taking OVAKO's FY2019.1Q (Jan. - Mar.) into
Sanyo's FY2019.1Q (Apr. - Jun.)

Overview of NSSMC's Special Steel Bar & Wire Rod Business

<Location>

- Special Steel Bar & Wire Rod
- Other products



<Location>	Muroran	Yawata (Kokura Area)
Crude steel production (FY2017)	1.43MMT/year	1.20MMT/year

Initiatives for strengthening special steel business' competitiveness

Yawata (Kokura Area) - Optimize upstream

(announced on Mar. 30th, 2016)

- Start operating new continuous casting facility in Yawata (FY2019)
- Cease upstream processes in Kokura Area (the end of FY2020)
- Maintain Kokura's production level of special steel bar & wire rods

Muroran - Enhance of Joint Venture (Mitsubishi Steel Muroran Inc.*) with Mitsubishi Steel Mfg. Co., Ltd.

(announced on Apr. 28th, 2017)

- Increase volume in outsourced manufacturing of steel billets to MSR*
- Establishment of organization in MSR and technology transfer from NSSMC to MSR*, to secure the quality of steel billets



*MSR = Mitsubishi Steel Muroran Inc.

Technology of Sanyo Special Steel

• Unique Manufacturing Technology for High-Cleanliness Steel (“Steel You Can Count On”)

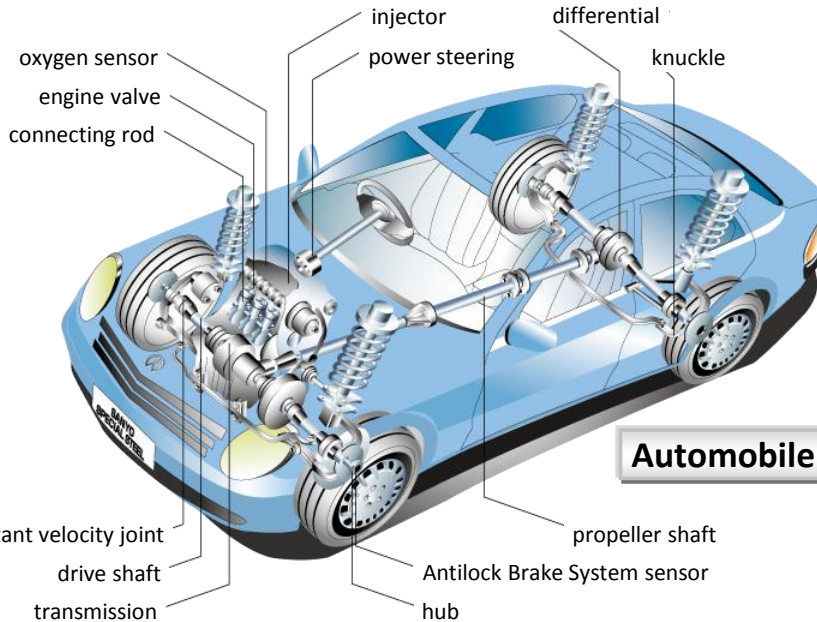
– Development of Manufacturing Process for Ultra-Cleanliness Steel (SURP : Sanyo Ultra Refining Process)

• Leading Bearing Steel Manufacturer in Japan

【Application(e.g.)】



Ball Bearing



Sequential casting world record of 100 heats with a single tundish (FY2015)



Bearing for Wind Power Generation

Contributing to the Development of Society by Providing “Steel You Can Count On” which has earned a high degree of confidence from the Market in respects of Development, Quality and Stable Supply

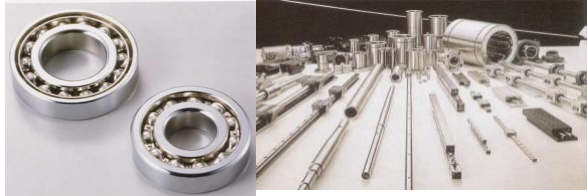
Product Lineup of Sanyo Special Steel and OVAKO

 **SANYO SPECIAL STEEL Co., Ltd.**

Bearing steel

Bearing steel

Linear motion bearing



High-carbon chromium steel



Alloy steel

Shafts for auto

Transmission gears

Gears for differential



High alloy steel

Precision pipes and parts

Invar alloy for electric power cable

Hot extrusion dies



OVAKO

BQ-Steel
Bearing Quality

High cleanliness steel used for bearings, with higher loads, downsizing effect, and longer service life



IQ-Steel
Isotropic Quality

Isotropic and ultra clean steel with multidirectional fatigue strength. Contributes to smart solution of components.



Special Steel Market

Material in critical parts for various industries (autos, industrial machinery, wind power generation & robot etc.)

Demand for high-quality special steel will continue to grow steadily.

WR-Steel
Wear Resistant

Wear-resistant steel with excellent formability and weldability which contributes to design flexibility and longer service life

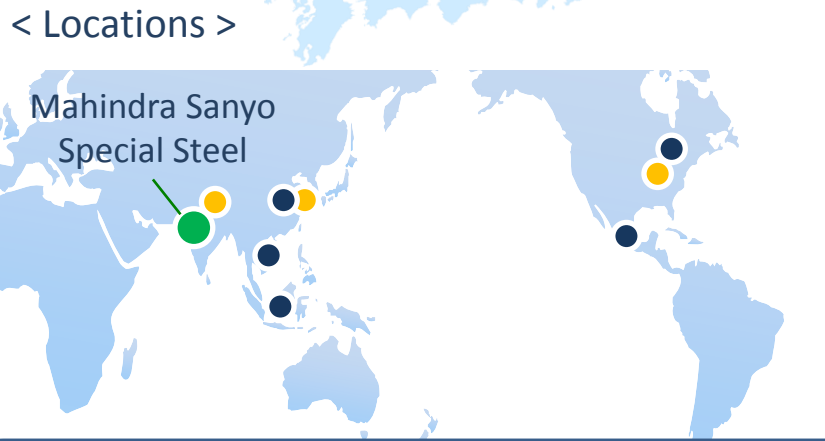
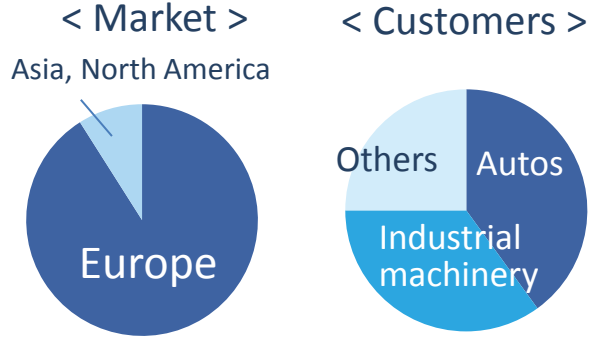
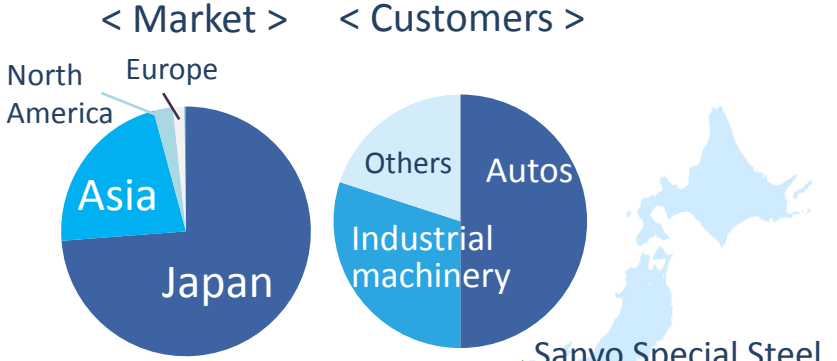


M-Steel
Machinability

Low alloyed free cutting steel with exceptional toughness and fatigue strength. Contributes to operational efficiency and cost reduction of component manufacturers.



Main Markets & Locations of Sanyo Special Steel and OVAKO



<History>

- 17th Century : Entered in steel business in Sweden
- 1916 : Bought by SKF (the largest global bearing steel maker in Sweden)
- 2010 : Acquired by Triton Fund
- 2018 : Acquired by NSSMC



cf. World's major bearing steel manufacturers
Sanyo Special Steel & OVAKO are the main suppliers for the companies below.

- (1) SKF <Sweden>, (2) Schaeffler <German>, (3) NSK <Japan>, (4) NTN <Japan>, (5) JTEKT <Japan>



Financial Highlights of Sanyo Special Steel and OVAKO

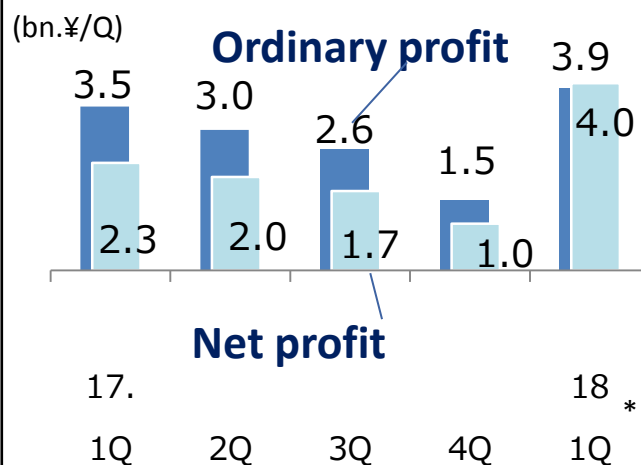
 **SANYO SPECIAL STEEL** FY2017

 **OVAKO**

CY2017
(130¥/€)

Crude steel	1.30 MMT/year (2EAFs)	1.01 MMT/year (3EAFs)
Sales volume	1.07 MMT/year	0.78 MMT/year
Net sales	¥157.4 bn.	€921 mil. (approx. ¥120.0 bn.)
Net profit	¥7.0 bn. 【FY2018(E) ¥8.0 bn.】	€15.2 mil. (approx. ¥2.0 bn.) 【Jan.-Jun, FY2018 €26mil. (approx. ¥3.4bn.)】
Total assets	¥210.2 bn.	€743mil. (approx. ¥97.0 bn.)
Interest bearing debt	¥28.4bn.	€251mil. (approx. ¥34.6 bn.)
Employees	2,666	Approx. 3,000

Profit

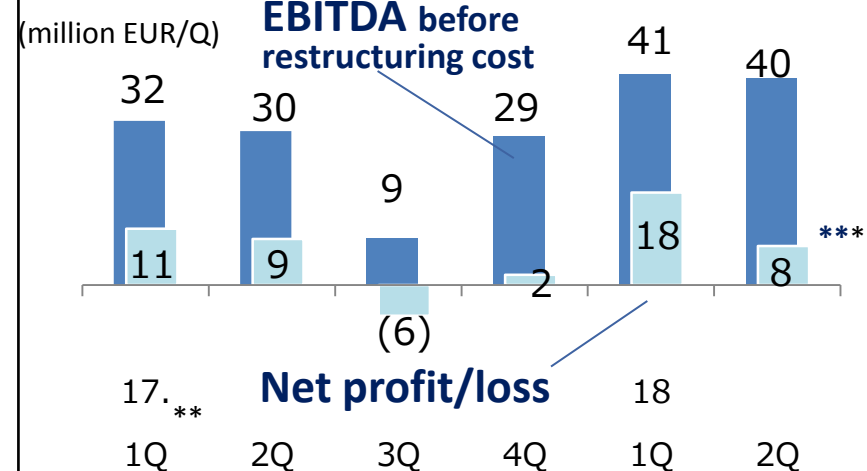


*Sanyo's FY18.1Q net profit incl. gain on step acquisitions of Mahindra Sanyo Special Steel (¥1.46bn.)

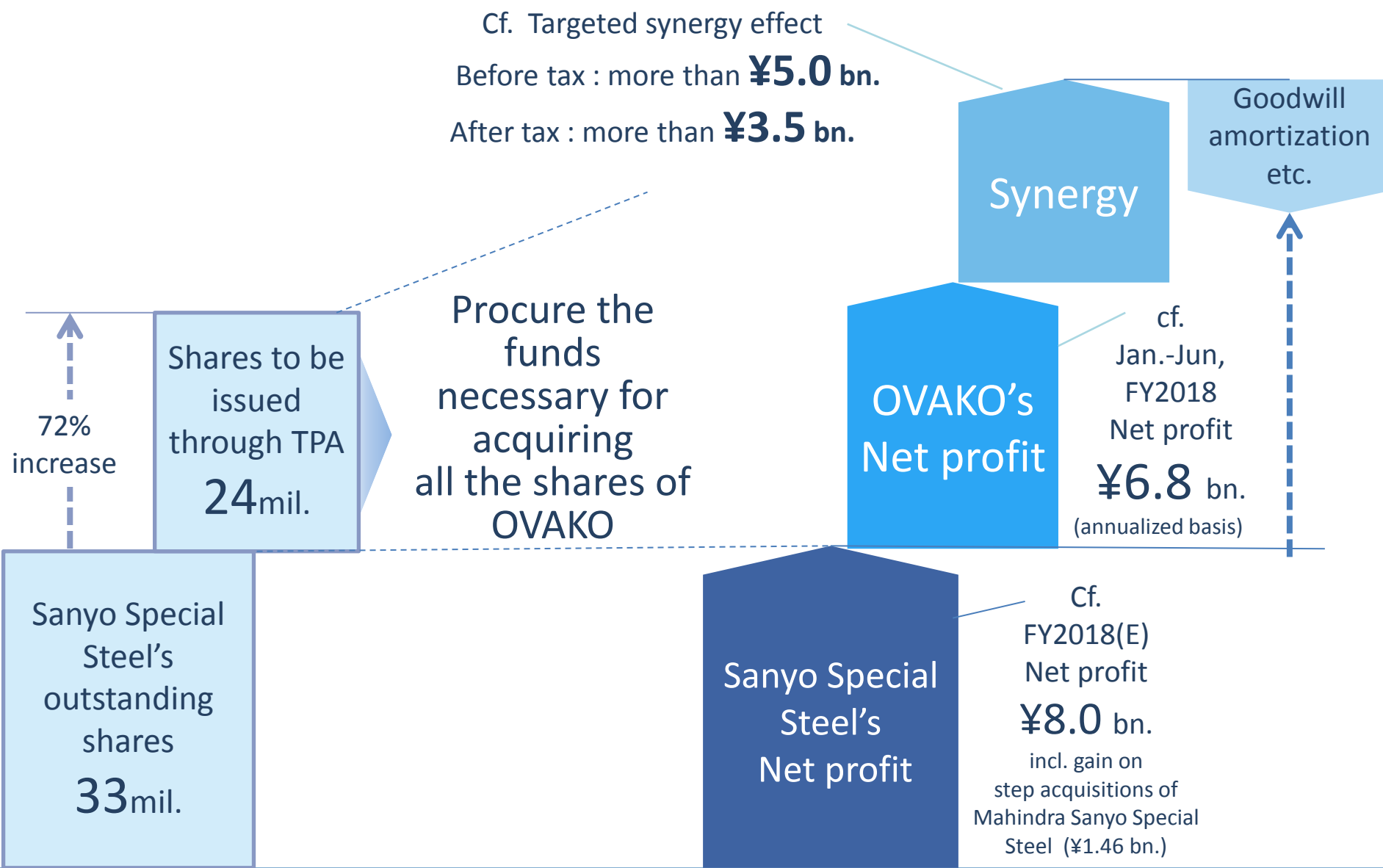
**OVAKO 1Q=Jan.-Mar.

***OVAKO 18.2Q

Net Profit incl. one-off costs (costs for advanced redemption of bonds etc.) (€12.2mil.)

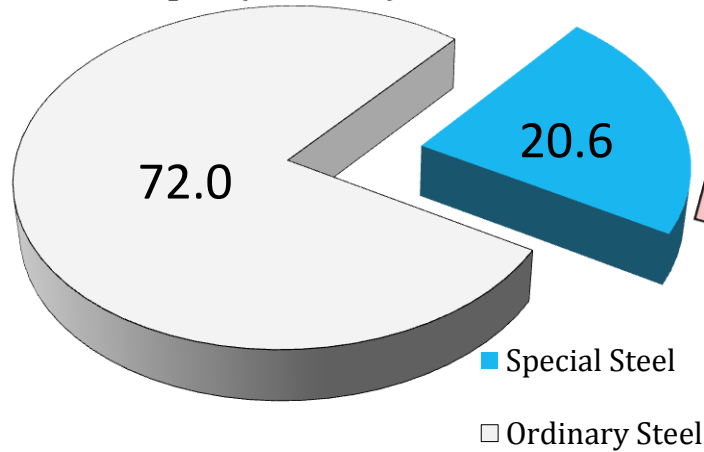


Basic Concept of Impacts on Sanyo's Consolidated Net Profit

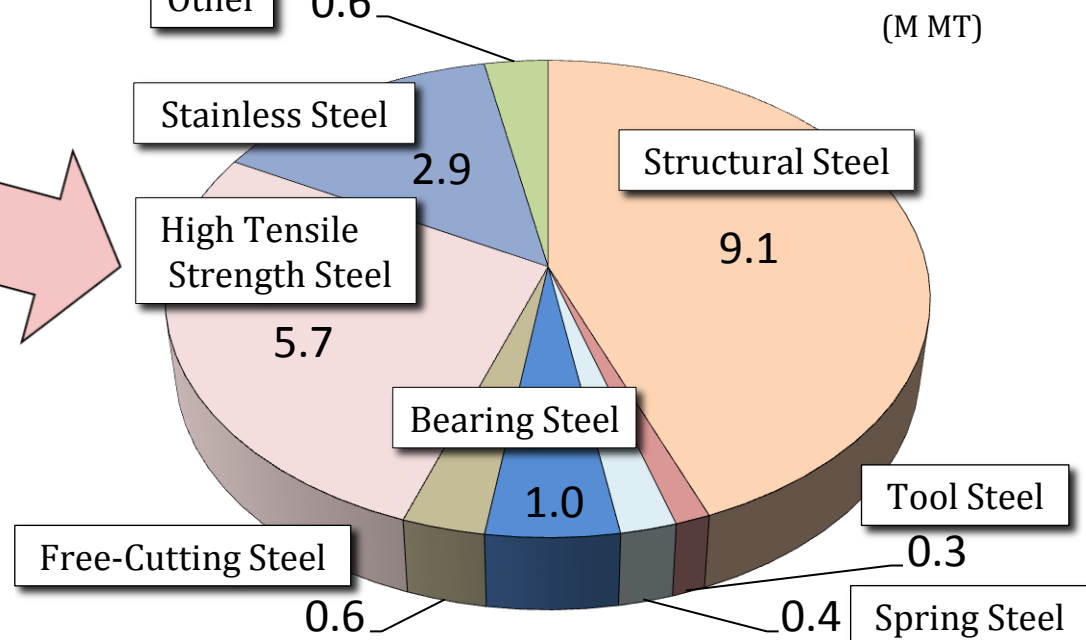


(Ref.) About Special Steel

Hot-rolled steel production in Japan(FY 2017)



Breakdown by special steel grade



Classification of Steel

- Ordinary Steel—Mild Steel—Rolled Steel for General Structure(SS), Rolled Steel for Welded Structure(SM), Steel Bars for Concrete Reinforcement(SR,SD), Low Manganese Non-Tempered High Tensile Strength Steel
- Special Steel—Structural Steel—Mechanical Structural Carbon Steel(S10C, S45C etc.)
 - Mechanical Structural Alloy Steel—Chromium steel(SCr), Chromium Molybdenum Steel(SCM), Nickel Chromium Molybdenum Steel(SNCM)
- Pressure Vessel Steel—Carbon Steel for Boilers and Pressure Vessels(SB), Chromium Molybdenum Steel for Boilers and Pressure Vessels(SCMV)
- Tool Steel—Carbon Tool Steel(SK), Alloy Tool Steel(SKD SKT), High-Speed Steel(SKH)
- Steel for Special Use—(Low-Alloy Steel) Spring Steel(SUP), Bearing Steel(SUJ), Free-Cutting Steel(SUM), Non-Tempered High Tensile Steel
 - (High-Alloy Steel) Stainless Steel(SUS), Heat-Resistant Steel(SUH), High-Manganese Non-Magnetic Steel
 - (Carbon Steel) Spring Steel(SUP), Piano Wire Rod Steel(SWRS)

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