

August 2, 2018

To Whom It May Concern,

Listed Company's Name: Sanyo Special Steel Co., Ltd.
Representative: Shinya Higuchi, Representative Director and
President
(Code Number: 5481, First Section of the TSE)
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Notice Regarding Acquisition of Ovako (Making It a Subsidiary)

Sanyo Special Steel Co., Ltd. ("Sanyo Special Steel") agreed with Nippon Steel & Sumitomo Metal Corporation ("NSSMC") to acquire all the outstanding shares of Triako Holdco AB (c/o Ovako AB Box 1721,111 87 Stockholm, Sweden) (the "Shares"), which is the wholly-owning parent company of Ovako AB (Kungsträdgårdsgatan 10, Stockholm, Sweden; Representative: Marcus Hedblom. "Ovako") (the "Transfer of Shares"). Ovako manufactures and sells special steel mainly in the European market and has among the largest production capabilities in the region.

As announced today jointly with NSSMC in the press release titled "Notice Regarding Execution of an Agreement to Make Sanyo Special Steel Co., Ltd. a Subsidiary of Nippon Steel & Sumitomo Metal Corporation and Other Matters," Sanyo Special Steel and NSSMC executed an agreement (the "Agreement on the Conversion into a Subsidiary and Other Matters") today based on the resolutions of the Board of Directors of the two companies. In the future, the two companies intend to conduct the following transactions on March 28, 2019 based on, among others, the Agreement on the Conversion into a Subsidiary and Other Matters.

1) Sanyo Special Steel will conduct a capital increase through a third-party allotment of shares (the "Capital Increase through a Third-Party Allotment of Shares") underwritten by NSSMC for procuring funds to acquire all the shares of Ovako. As a result, NSSMC's ratio of voting rights ownership in Sanyo Special Steel will increase to 51.5% from its 15.3% ratio before the Capital Increase through a Third-Party Allotment of Shares (based on the register of shareholders of Sanyo Special Steel as of March 31, 2018; including indirect ownership by consolidated subsidiaries of NSSMC), thereby making Sanyo Special Steel a consolidated subsidiary of NSSMC (the "Conversion into a Subsidiary").

2) Transfer of Shares (together with the Conversion into a Subsidiary, the "Conversion into a Subsidiary, etc.")

The Conversion into a Subsidiary, etc. has been disclosed jointly by Sanyo Special Steel and NSSMC today in the press release titled "Notice Regarding Execution of an Agreement to Make Sanyo Special Steel Co., Ltd. a Subsidiary of Nippon Steel & Sumitomo Metal Corporation and Other Matters;" and the Capital Increase through a Third-Party Allotment of Shares has been separately disclosed by Sanyo Special Steel today in its press released titled "Notice on Issuance of New Shares Through a Third-Party Allotment to Nippon Steel & Sumitomo Metal Corporation and Change in Parent Company."

The Transfer of Shares is subject to the implementation of the Capital Increase through a Third-Party Allotment of Shares, with the funds generated thereby anticipated to be used to acquire all the Shares of Ovako. In addition, conditions for the Conversion into a Subsidiary, etc. include obtaining approval from competition authorities in Japan and overseas regarding the Conversion into a Subsidiary, and obtaining the approval for the Capital Increase through a Third-Party Allotment of Shares at the extraordinary general shareholders' meeting of Sanyo Special Steel scheduled to be held in February 2019.

1. Reasons for Acquisition of Shares

Headquartered in Sweden, Ovako is a special steel manufacturer with global top level technology for the production of high-cleanliness steel for bearing steel products. Ovako manufactures and sells high-quality special steel products including bearing steel products mainly for use by industrial machinery manufacturers and automobile parts manufacturers in Europe, and has established a strong presence in the European market. Ovako has been a wholly-owned subsidiary of NSSMC since June 1, 2018.

While a steady increase in demand is expected over the long term in the global steel market, the steel business is facing changes in the social and industrial structures, including a decline in Japan's population, a trend toward protectionism on a global level, an acceleration of local material procurement by customers associated with the globalization of their businesses, growing needs for lighter and stronger vehicles, a shift to electric and other new energy vehicles, an increased use of renewable energy, and the use of robots in the manufacturing industry and service industry.

Against this backdrop, special steel products, which are product lines of NSSMC and Sanyo Special Steel, are used as materials in critical parts for various industries such as automobiles, industrial machinery, wind power generation and robots; and it is expected that demand for these products will continue to grow steadily, with needs for high-quality special steel products further increasing. On the other hand, as competition in the special steel market becomes more intense in Japan and overseas, both companies recognize that they need to strengthen their technological capabilities, product development capabilities and cost competitiveness of their special steel businesses, and enhance and expand the advantages of their businesses over competitors in Japan and overseas.

The two companies believe that it is necessary for the three companies including Ovako to develop structures for global business expansion by combining their business foundations, technical capabilities, product development capabilities, and cost competitiveness, and to strengthen capabilities for supporting high-quality special steel products in response to the globalization of customers in Japan and overseas in the automotive and other fields as well as needs for high-quality special steel products, in a bid to pursue enhanced competitiveness of their respective special steel businesses over the medium- to long term. As a measure to realize such goals, the two companies decided to convert Sanyo Special Steel into a consolidated subsidiary of NSSMC and also make Ovako, which is a wholly-owned subsidiary of NSSMC, a wholly-owned subsidiary of Sanyo Special Steel.

Sanyo Special Steel has concluded that, amid intensifying competition in the special steel market in Japan and overseas, making Ovako, Europe's leading special steel manufacturer, into its wholly-owned subsidiary will enable Sanyo Special Steel to establish a firm foothold in the European market, which is one of the promising markets, and promote the globalization of its special steel business by further strengthening its technology, product quality and product development capability for special steel through close cooperation with Ovako. By combining the two

companies' common strengths of global top level technology for the production of high-cleanliness steel and mutually utilizing marketing, sales and logistics networks, Sanyo Special Steel will further reinforce its competitiveness in special steel products in the global market, in particular in the bearing steel field. In addition, for Sanyo Special Steel, joining the NSSMC Group will allow for a more stable management foundation for continuous growth and maximization of corporate value over the medium to long term.

Meanwhile, through the addition of Sanyo Special Steel to the NSSMC Group, NSSMC will forge ahead with the establishment of optimal production structure in the entire special steel field including Yawata Works and Muroran Works, which are the main production bases in Japan, and the reduction in costs for procurement of materials and equipment, etc., thereby further enhancing the NSSMC Group's strengths of technical capability and cost competitiveness.

Through the realization of the Conversion into a Subsidiary, etc., NSSMC and Sanyo Special Steel will aim at strengthening the position of the NSSMC Group including Sanyo Special Steel as "the best steel maker with world-leading capabilities," and achieving sustainable growth and medium- to long-term enhancement of corporate value.

2. Overview of Ovako (As of June 2018)

(1) Name	Ovako AB		
(2) Location	Kungsträdgårdsgatan 10, Stockholm, Sweden		
(3) Name and Title of the Representative	Marcus Hedblom (CEO)		
(4) Description of Business Activities	Manufacture and sale of special steel and secondary processed products		
(5) Capital	60,000 euros		
(6) Date of Establishment	July 2, 2010		
(7) Major Shareholder and Ownership Percentage	Nippon Steel & Sumitomo Metal Corporation: 100%		
(8) Relationship between Sanyo Special Steel and Ovako	Capital Ties	N/A	
	Personnel Ties	N/A	
	Business Ties	N/A	
(9) Operating Results and Financial Position of Ovako for Past 3 Years on a Consolidated Basis			
Fiscal Year	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net Assets	133.0 million euros 17,290 million yen	113.0 million euros 14,690 million yen	114.3 million euros 14,859 million yen
Total Assets	690.1 million euros 89,713 million yen	703.0 million euros 91,390 million yen	742.8 million euros 96,564 million yen
Net Assets per Share	2,660 euros 345,800 yen	2,260 euros 293,800 yen	2,286 euros 297,180 yen

Sales	834.1 million euros 108,433 million yen	780.8 million euros 101,504 million yen	921.3 million euros 119,769 million yen
Operating Income	0.6 million euros 78 million yen	9.0 million euros 1,170 million yen	55.7 million euros 7,241 million yen
Net Income	-19.1 million euros -2,483 million yen	-16.7 million euros -2,171 million yen	15.2 million euros 1,976 million yen
Net Income per Share	-382 euros -49,660 yen	-334 euros -43,420 yen	304 euros 39,520 yen

- Notes: 1. Based on an exchange rate of 130 yen per euro.
2. The figures for total consolidated assets for the fiscal year ended December 31, 2015 are those prior to the retroactive restatement for prior fiscal years.

3. Overview of NSSMC

(1) Name	Nippon Steel & Sumitomo Metal Corporation	
(2) Location	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	
(3) Name and Title of the Representative	Kosei Shindo, Representative Director and President	
(4) Description of Business Activities	1. Steelmaking and steel fabrication (Manufacturing and sales of steel products) 2. Engineering and construction 3. Chemicals 4. New materials 5. System solutions	
(5) Capital	419.5 billion yen (as of March 31, 2018)	
(6) Date of Establishment	April 1, 1950	
(7) Major Shareholders and Ownership Percentage (Note 1)	Japan Trustee Services Bank, Ltd. (Trust Account)	4.5%
	The Master Trust Bank of Japan (Trust Account)	4.3%
	Nippon Life Insurance Company	2.8%
	Sumitomo Corporation	2.1%
	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.9%
	Mizuho Bank, Ltd.	1.8%
	STATE STREET BANK WEST CLIENT – TREATY 505234	1.7%
	Sumitomo Mitsui Banking Corporation	1.7%
	Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	1.6%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.6%	

(8) Relationship between Sanyo Special Steel and NSSMC	Capital Ties	Number of shares of NSSMC held by Sanyo Special Steel	577,159 shares
		Number of shares of Sanyo Special Steel held by NSSMC	4,905,481 shares
	Personnel Ties	A Corporate Auditor of Sanyo Special Steel is NSSMC's Managing Executive Officer.	
	Business Ties	Based on a February 2006 business alliance agreement between Sanyo Special Steel and NSSMC, Sanyo Special Steel and NSSMC mutually entrust the product of steel materials to one another.	
Status Applicable to the Related Parties	N/A		

Notes: 1. As of March 31, 2018

2. The number of shares of Sanyo Special Steel held by NSSMC includes the shares held by NSSMC's consolidated subsidiaries, Nippon Steel & Sumikin Logistics Co., Ltd. (voting rights ownership ratio of NSSMC: 100.0%) and NIPPON STEEL & SUMIKIN TEXENG CO., LTD. (voting rights ownership ratio of NSSMC: 100.0%) as indirect ownership.

4. Number of Shares to Be Acquired, Acquisition Price and Status of Share Ownership Before and After the Acquisition

1) Number of shares held before the transfer	0 shares (Share ownership: —%)
2) Number of shares to be acquired	100,000 shares
3) Acquisition price	67,235 million yen
4) Number of shares to be held after the transfer	100,000 shares (Share ownership: 100%)

5. Schedule

(1) Date of the Board resolutions	August 2, 2018
(2) Date of Execution of the Agreement	August 2, 2018
(3) Date of Execution of the Share Transfer	March 28, 2019 (planned)

6. Future Outlook

The Transfer of Shares is scheduled to be completed on March 28, 2019. The effect of the Transfer of Shares on the performance results of Sanyo Special Steel for the fiscal year ending March 31, 2019 is expected to be insignificant, and the effect on performance results for the subsequent fiscal years is not yet known.

(Reference) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2019 (as released on August 2, 2018) and Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

(Unit: million yen)

	Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
Financial Forecasts (Fiscal year ending March 31, 2019)	185,000	10,000	9,500	8,000
Financial Results (Fiscal year ended March 31, 2018)	157,485	10,969	10,659	7,034

Please note that the official text of this document has been prepared in Japanese. To the extent there is any discrepancy between the English translation and original Japanese version, please refer to the Japanese version.