

Establishment of Formed and Fabricated Materials Company and Commencement of Formed and Fabricated Materials Business in Mexico

Sanyo Special Steel Co., Ltd. (“Sanyo”, head office: Himeji-shi, Hyogo, President: Yasuo Takeda) has resolved at its Board of Directors meeting held on December 11, 2015 to establish Sanyo Special Steel Manufacturing de Mexico, S. A. DE C. V., a local subsidiary that will manufacture and sell formed and fabricated materials, and to commence the formed and fabricated materials business in the United Mexican States.

Details

1. Objectives

The Mexican automotive industry has been developing as an export base to the United States. According to the International Organization of Motor Vehicle Manufacturers, the automobile production volume in Mexico is forecast to expand to around 5,000,000 units in 2020 from 3,200,000 units in 2014.

Against this backdrop, a number of Japanese and western bearing manufacturers have recently entered the Mexican market, raising expectations for an increase in demand for the upstream processes for producing bearings in Mexico over the medium- to long-term.

Under its 9th medium-term business plan (fiscal 2014 to fiscal 2016), Sanyo aims at strengthening the non-steel business including the formed and fabricated materials business. The Company has been implementing measures to expand the sales of the formed and fabricated materials business to 1.5 times those in fiscal 2013. As part of its measures, it established Siam Sanyo Special Steel Product Co., Ltd. (SSSP) in Thailand in September 2014. SSSP started commercial production in December 2015.

After its feasibility study on production in Mexico, Sanyo has decided to establish a manufacturing company with an integrated production process from forging to machining to produce formed and fabricated materials. The Company will promptly build a supply-chain in a growing market by establishing a manufacturing and sales base for formed and fabricated materials in Mexico and meet the needs of customers to expand the global business, boosting the formed and fabricated materials business.

Sanyo Special Steel Manufacturing de Mexico, S. A. DE C. V. will become the first Japanese manufacturer of formed and fabricated materials for bearings to introduce an integrated production process from forging to machining in Mexico. It is equal in size to or larger than Ningbo Sanyo Special Steel Products Co., Ltd. (NSSP), Sanyo’s main overseas base. Consequently, Sanyo will establish a system that enables it to supply formed and fabricated materials to huge markets around the Pacific Ocean.

Meanwhile, the Company’s decision to advance into Mexico will result in having the Formed and

Fabricated Materials segment operate plants in six places: Japan (Santoku Tech Co., Ltd.), China (NSSP), the United States (Advanced Green Components, LLC), India (Mahindra Sanyo Special Steel Pvt. Ltd.), Thailand (SSSP), and Mexico (Sanyo Special Steel Manufacturing de Mexico, S. A. DE C. V.).

Including an alliance with other companies, Sanyo will study to expand its product lineups and to develop high value-added products by adding a heat treatment process to the integrated production process to meet increasing and diversifying customers' needs in the future.

2. Outline of the local subsidiary

(1) Company name	Sanyo Special Steel Manufacturing de Mexico, S. A. DE C. V.
(2) Location	Industrial Park in the State of Guanajuato or the State of Jalisco, the United Mexican States (planned)
(3) President	Nobuyuki Tanaka (Director and Executive Vice President of Sanyo)
(4) Business description	Manufacture and sale of formed and fabricated materials for bearings (forged products, turned products) Note: Sanyo Special Steel Manufacturing de Mexico will manufacture formed and fabricated materials by forging and machining Sanyo's steel products and sell them to bearing manufacturers.
(5) Capital (note)	Approx. 5,000 million yen (after the capital increase)
(6) Date of establishment (note)	November 12, 2015
(7) Shareholders	Sanyo: 100.00%
(8) Plant site area	Approx. 110,000 m ²
(9) Main facilities	Forging machines, lathe turning machines
(10) Production capacity	Approx. 2,000 tons/month (planned)
(11) Employees	Approx. 450 persons (planned)
(12) Date of commencement of operations	September 2017 (planned)

(Note) Sanyo will increase the capital of a company that was established for the feasibility study (capital: 20,000 peso/approx. 140,000 yen).

(Reference)

<Schematic view of the factory buildings>



<Location of the new company>



<Examples of formed and fabricated materials for bearings>

