



**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 2<sup>nd</sup>, 2018

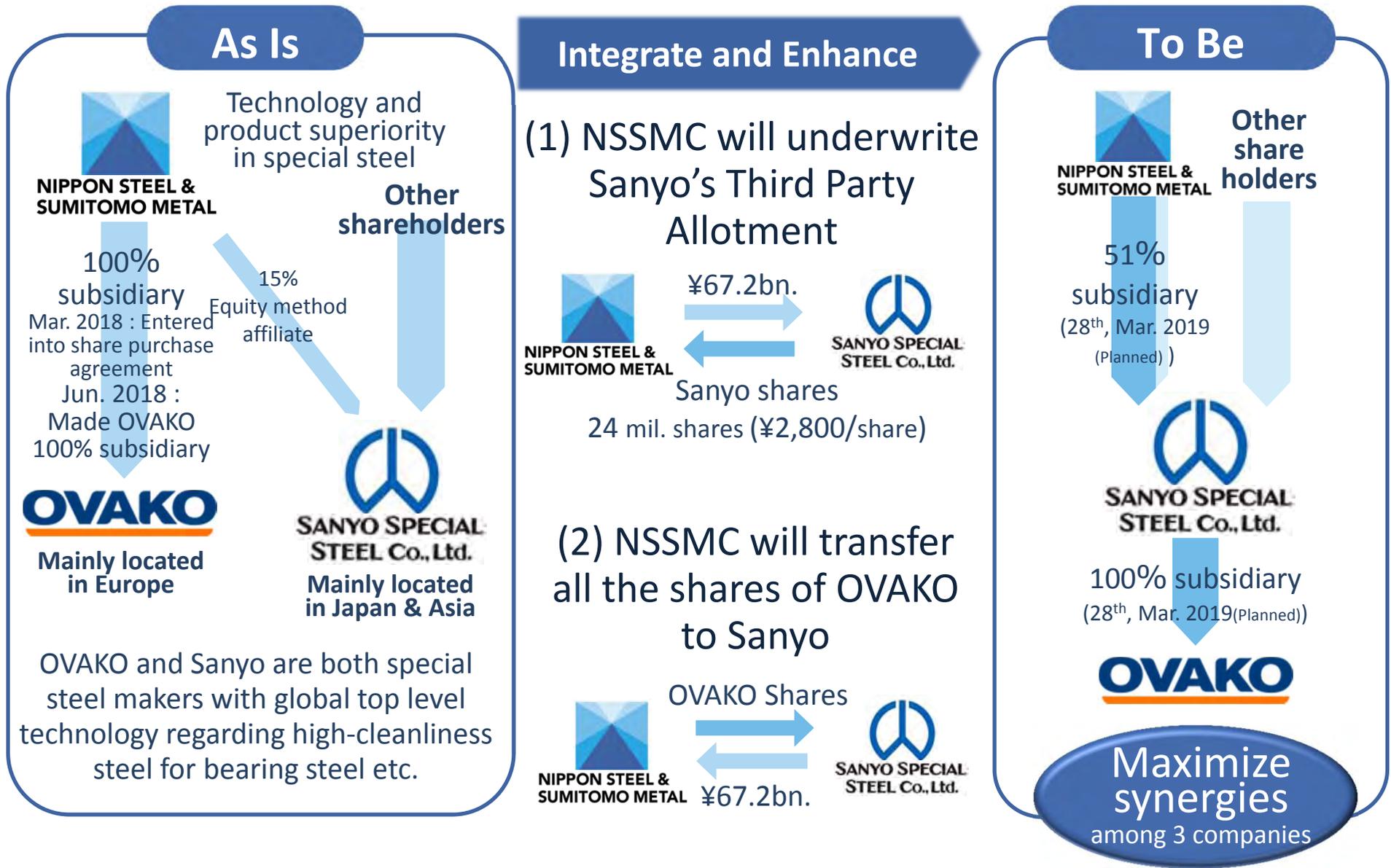


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**SANYO SPECIAL STEEL**

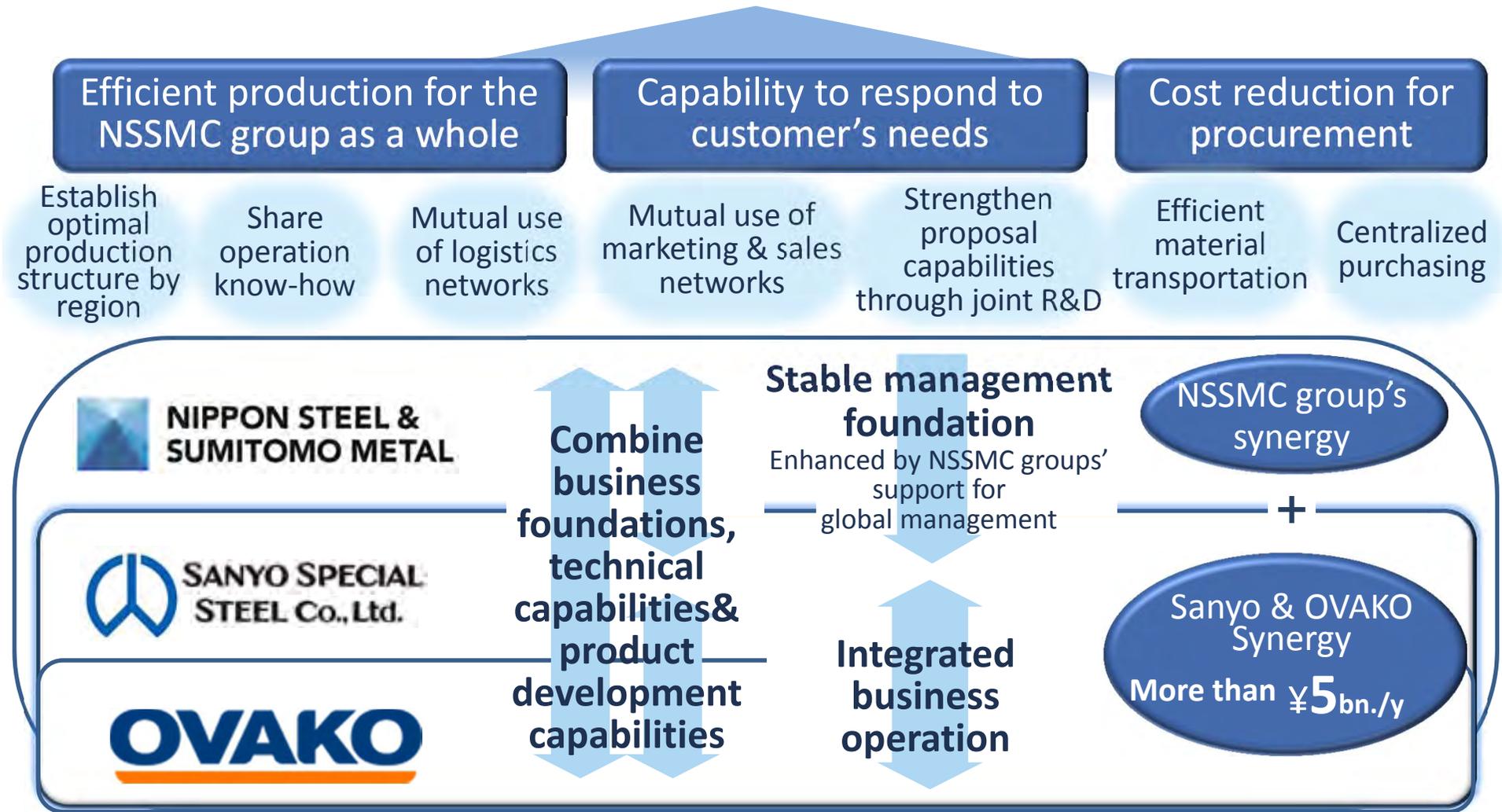
# Overview of Special Steel Business's Integration & Reorganization



# 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



# Schedule

Aug 2<sup>nd</sup>, 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

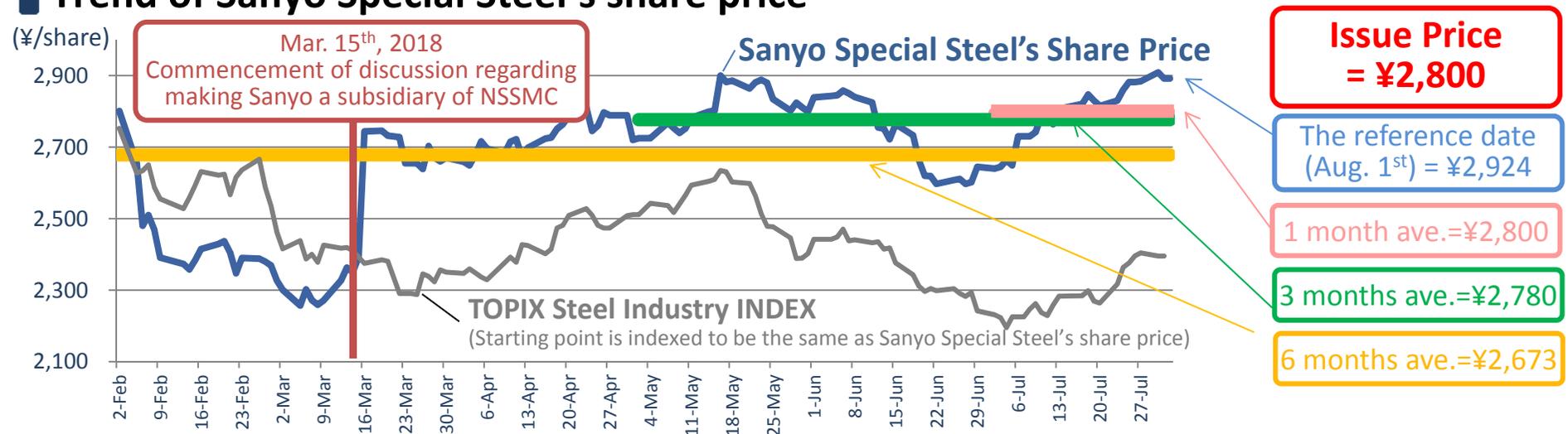
Around Feb. 2019 (plan) – Extraordinary general shareholders' meeting of Sanyo

Mar. 28<sup>th</sup>, 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



	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. 30<sup>th</sup>, 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. 28<sup>th</sup>, 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**

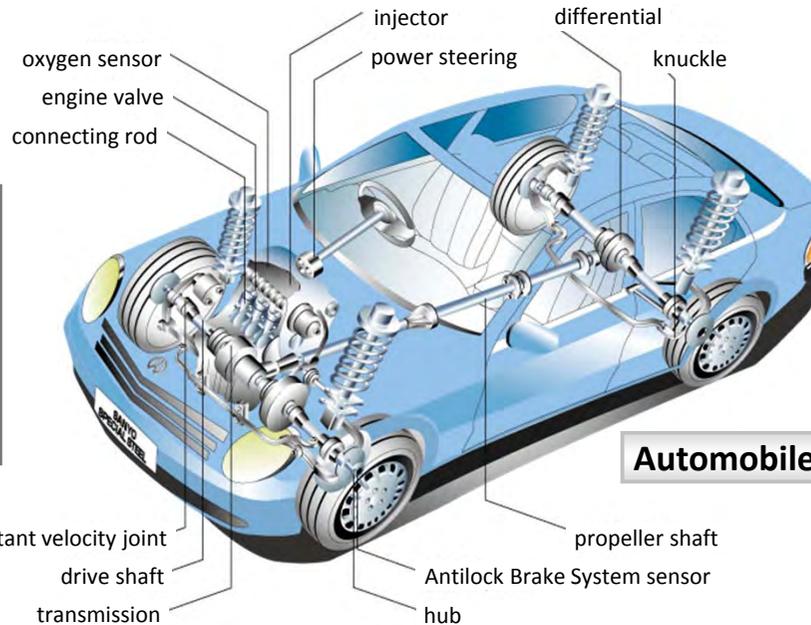


**Sequential casting world record of 100 heats with a single tundish (FY2015)**

【Application(e.g.)】



**Ball Bearing**



**Automobile**



**Bearing for Wind Power Generation**

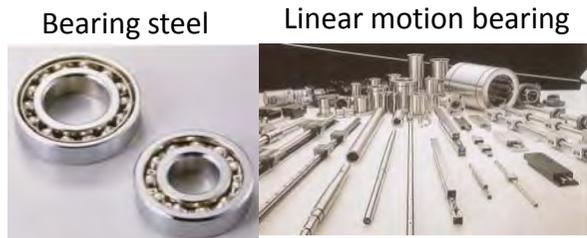
**Contributing to the Development of Society by Providing “Steel You Can Count On” which has earned a high degree of confidence from the Market in respects of Development, Quality and Stable Supply**

# Product Lineup of Sanyo Special Steel and OVAKO



## Bearing steel

High-carbon chromium steel



## 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.



## Alloy steel



### 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.

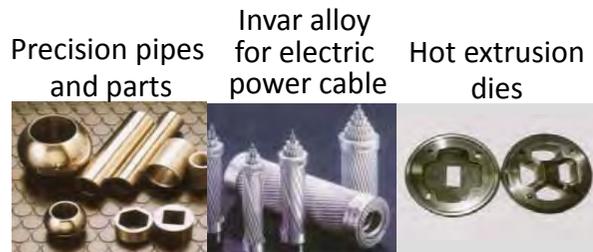
## WR-Steel

Wear Resistant

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



## High alloy steel



## M-Steel

Machinability

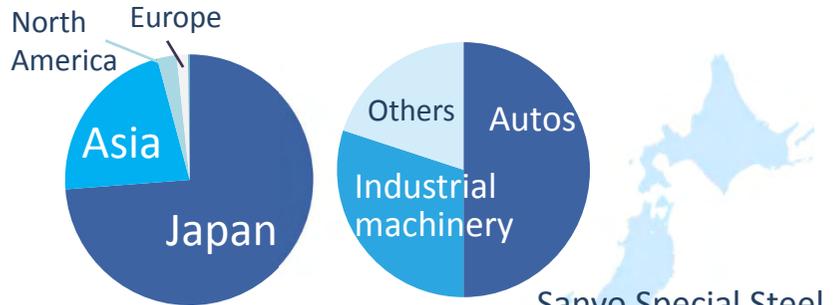
Low alloyed free cutting steel with exceptional toughness and fatigue strength. Contributes to operational efficiency and cost reduction of component manufacturers.



# Main Markets & Locations of Sanyo Special Steel and OVAKO



< Market > < Customers >

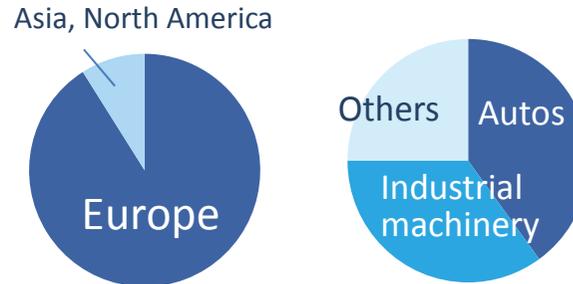


Sanyo Special Steel  
(Himeji city, Hyogo pref.)

< Locations >



< Market > < Customers >



< Locations >

<History>

- 17<sup>th</sup> 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



- Headquarter
- Steel mills
- Secondary processing mills
- Sales offices



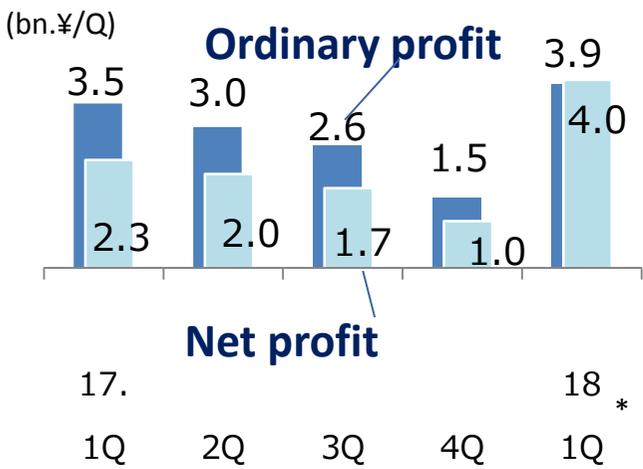
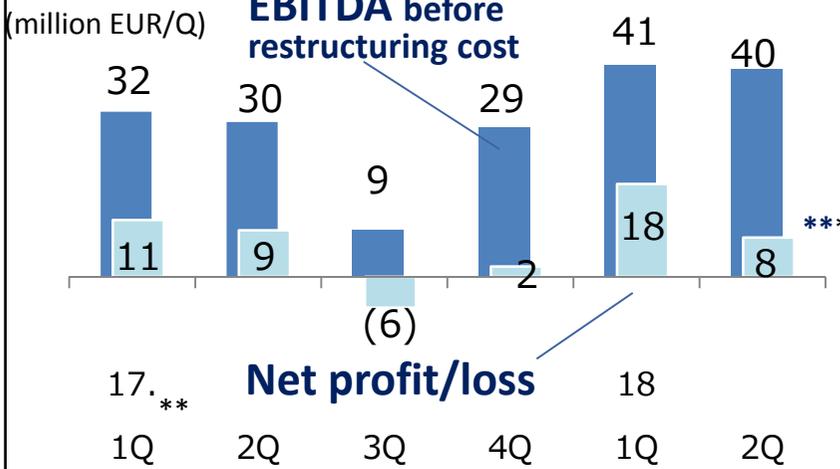
cf. World's major bearing steel manufacturers

**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

	 <b>SANYO SPECIAL STEEL</b> FY2017	 <b>OVAKO</b> 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	<p>(bn.¥/Q)</p>  <p><b>Ordinary profit</b></p> <p><b>Net profit</b></p> <p>17. 18 *</p> <p>1Q 2Q 3Q 4Q 1Q</p>	<p>(million EUR/Q)</p>  <p><b>EBITDA before restructuring cost</b></p> <p><b>Net profit/loss</b></p> <p>17. ** 18 ***</p> <p>1Q 2Q 3Q 4Q 1Q 2Q</p>

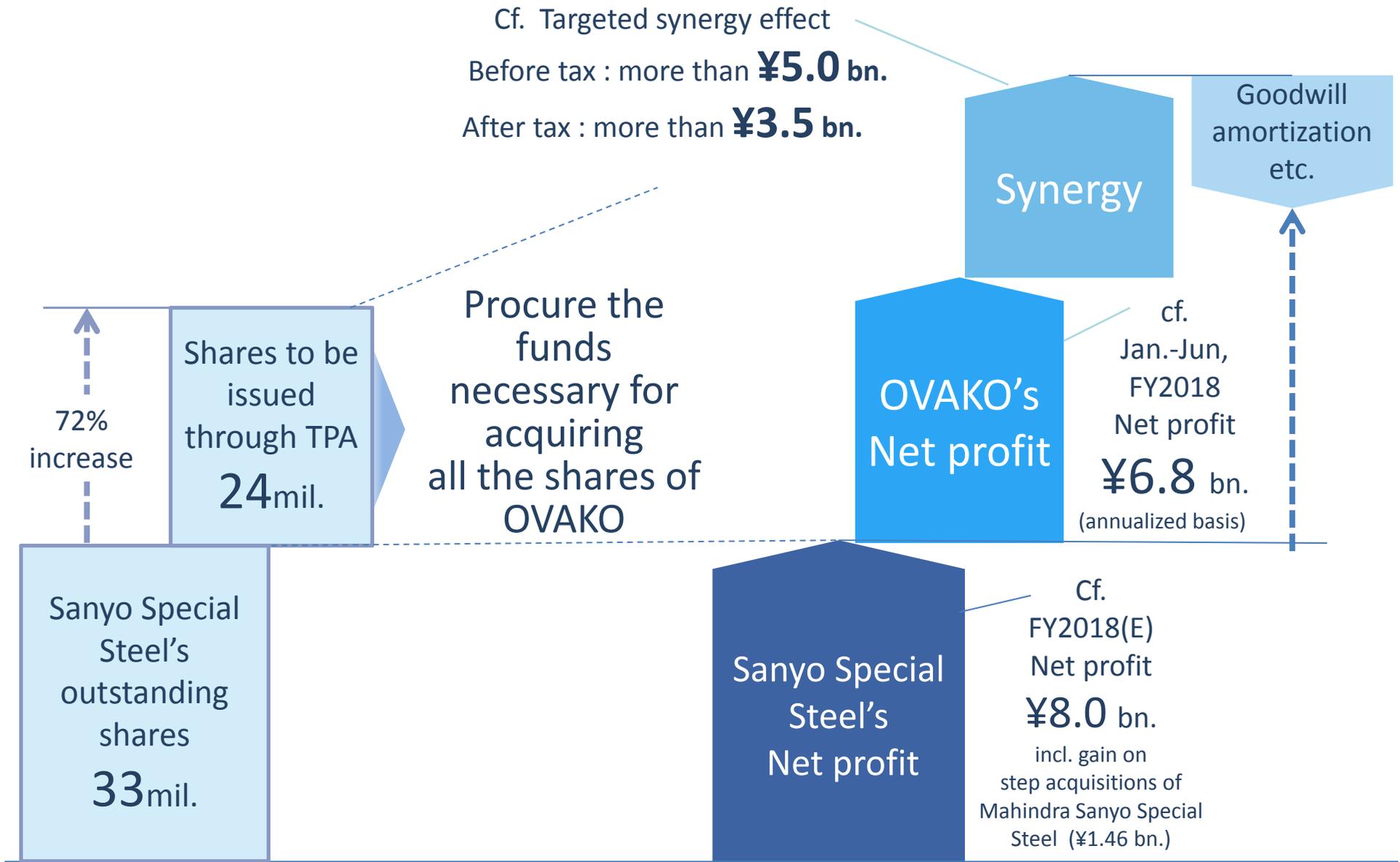
\*Sanyo's FY18.1Q net profit incl. gain on step acquisitions of Mahindra Sanyo Special Steel (¥1.46bn.)

\*\*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





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