

## Notice of the Signing of Joint Venture Contract in China

As per “Notice of the Signing of an Agreement toward the Establishment of a Joint Venture Company in China” dated February 27, 2017, Nippon Yakin Kogyo has signed an agreement with Nanjing Iron and Steel Co., Ltd., (NISCO), a major Chinese iron and steel manufacturer, towards the formation of a joint venture company, with the intention to enhance production capacity for high performance alloys in China.

A joint venture contract has now been signed as below. As a next step, regulatory procedures will be taken with the Chinese authority with the aim of commencing operations before the end of the year.

### 1. Outline of the Joint Venture Company

- (1) Name: NISCO Nippon Yakin Kogyo Nanjing. Co., Ltd.
- (2) Location: No. 35, Puzhou Road, Pukou District, Nanjing, Jiangsu Province, China
- (3) Capital: RMB 10 million yuan (approx. 167 million Japanese yen)
- (4) Equity stake: Nippon Yakin Kogyo – 60%, NISCO – 37%, Jiangsu Tri-m Special Metals Co., Ltd. – 3%
- (5) Chairman: Kun Wang (Nippon Yakin Kogyo, Managing Executive Officer)
- (6) Scope of business: Purchase and sales of high performance alloys, consignment of rolling and other manufacturing processes, technological and quality assurance services
- (7) Commencement of operations: December 2017 (current plan)

### 2. Profiles of joint venture partners

<NISCO>

- (1) Location: Nanjing, Jiangsu Province
- (2) Chairman: Yixin Huang
- (3) Scope of business: Manufacture and sales of carbon steel sheets, steel rods, wire, alloyed steel and related products
- (4) Capital: RMB 3,962 million yuan (approx. 66,007 million Japanese yen)
- (5) Established: 1999

<Jiangsu Tri-m Special Metals Co., Ltd.>

- (1) Location: Nanjing, Jiangsu Province
- (2) Chairman: Xi Yao Yang

- (3) Scope of business: Processing and sales of free-cutting steel, free-cutting stainless steel and precision stainless steel wire
- (4) Capital: RMB 56 million yuan (approx. 933 million Japanese yen)
- (5) Established: 2007

### 3. Background and purpose of the joint venture

China is a major market for Nippon Yakin Kogyo's high performance alloys, and the industrial equipment and machinery industry in China is a major end-user of such materials. Due to the country's environmental and energy policies and the government's focus on advancing industry, the market is expected to continue growing rapidly. In addition to this potential for growth, there has been a higher demand for short lead times, heavier unit weight and wider dimensions in recent years for larger machinery and efficiency improvements to better compete against manufacturers in the US and Europe.

The recent market needs for high performance alloys in China could be satisfied by outsourcing the manufacturing process of plate materials to NISCO, which owns global cutting-edge production equipments.

NISCO also has established strong customer relationships in China including but not limited to large state-owned oil companies, which will enable Nippon Yakin Kogyo to capture even a larger share in the Chinese market.

Jiangsu Tri-m Special Metals has decided to participate in the joint venture, because of its expertise in customs procedures and logistics as well as trading relationships with Nippon Yakin Kogyo and NISCO.

We believe this joint venture will further strengthen our business in the high performance alloys market in China in terms of both production and marketing.

### 4. Others

Operations of NISCO Nippon Yakin Kogyo Co., Ltd. are slated to begin in December 2017, but are not expected to have an appreciable effect on the consolidated performance of Nippon Yakin Kogyo for the fiscal year ending March 2018.

\*The term "high performance alloy" refers primarily to high-nickel alloys with at least 20 percent nickel content.