



## Announcement of Formulation of Third Medium-Term Management Plan

The results of the Group's second medium-term management plan were summarized to formulate the third medium-term management plan at today's meeting of the board of directors. A summary is provided below.

The company has been steadily implementing the principle measures of the second medium-term management plan since April 2009, but the results fell substantially short of the targets for sales and income both in Japan and globally due to factors like the slowdown in the global economy following the Lehman Shock, the earthquake and power shortage last year and the sharp appreciation of the yen. In the midst of these difficult management circumstances, the company will launch the third medium-term management plan in April in order to solidify its position as a top steel tube company in Japan and around the world by continuing to promote further streamlining of domestic businesses, strengthening of sales and aggressive overseas operations.

### 1. Forecasted Results of 2<sup>nd</sup> Medium-Term Management Plan and Targets of 3<sup>rd</sup> Medium-Term Management Plan

2 <sup>nd</sup> Medium-Term Management Plan Results and Forecast	Fiscal 2009 Results	Fiscal 2012 Results	Fiscal 2011 Targets	Fiscal 2011 Forecast (*)	3 <sup>rd</sup> Medium-Term Management Targets	Fiscal 2014 Targets
Sales	1,024	1,158	1,600	1,203	Sales (foreign)	1,600 (35%)
Operating income	106	165	220	148	Operating income (foreign)	200 (20%)
Ordinary income	121	186	260	170	Ordinary income	220
Net income	74	102	150	59	Net income	120
Earnings per share (yen)	84.6	117.7	170	68.9		
Return on equity (%)	3.93	5.02	8.00	2.81		
Foreign sales ratio	21.0%	20.7%		22.2%		
Foreign operating income ratio	-	5.5%		3.2%		

(\*) The forecast for March 2012 is based on the forecast for this year from the announcement of third quarter earnings on February 7, 2012

- 2012/3 Forecast: The company will fall short of sales and income targets due to long-term stagnation in the domestic building material market and the effects of the earthquake. Recovery is also slow in the building material market in the United States, while the launch of the new business in Vietnam has been delayed. The company has also had to post an exchange loss due to currency devaluation. These and other factors will cause sales and income results to come in substantially lower than the targets. A roughly 3.8 billion yen valuation loss is also expected due to the moribund stock market.
- 2015/3 Targets: In Japan, sales will be increased by aggressively absorbing reconstruction demand and strengthening the sales system. Abroad, both sales and income will be returned to pre-Lehman levels by strengthening operations in automotive and energy-related fields and launching the second CGL/CCL in Vietnam to significantly increase the foreign ratio.



<u>through computerization</u>	Development of prospective members of local management teams in Vietnam through long-term training program
5) <u>Aggressive environmental action</u>	Takuma Plant: Reduction of CO <sub>2</sub> emissions through conversion from LPG to LNG Aggressive action to meet request to save electricity
6) <u>Promotion of capital efficiency</u>	Maintenance of high shareholder return ratio through ongoing payback and maintenance of dividend policy Promotion of investment security disposal
7) <u>Development of corporate group resistant to disasters</u>	Early recovery at Tokyo No. 2 Plant and Maruichi Kohan Sendai Office General review of emergency shelter at Rinkai Plant

### 3. Basic Philosophy and Principle Measures of 3<sup>rd</sup> Medium-Term Management Plan

#### 1) Basic philosophy

- (1) In light of the long-term shrinking of the Japanese market due to the low birthrate and aging society, the focus of the first and second medium-term management plans was on streamlining domestic businesses and aggressive development of overseas businesses.
- (2) The stagnation of the Japanese market is expected to continue long-term due to the major earthquake that hit in March 2011 and subsequent power shortage as well as the sharply appreciating yen. The shift to overseas production, especially in the automotive industry, is accelerating.
- (3) In Japan, it is expected that mergers and restructuring will move into high gear in the steel industry in order to maintain global competitiveness and respond to the shrinking domestic market. Each company will likely begin full-scale efforts to survive.
- (4) In light of the environment surrounding the company, further efforts will be made domestically to establish an efficient production system, and the focus will be on filling the gap for full-scale reconstruction demand. Abroad, aggressive business development activities will be further accelerated to dramatically increase overseas sales and income and solidify the company's position as a top steel pipe company in Japan and around the world.
- (5) Abroad, the focus will be on the steel pipe business in the automobile/motorcycle and energy fields which are projected to grow, and investments will continue to be made in the construction field in the Asian region, starting with infrastructure.
- (6) The company will consider changing the names of Leavitt and SUNSCO and making use of the Maruichi brand in the overseas steel pipe business.
- (7) The targets for sales, operating income and ordinary income will be 160 billion yen, 20 billion yen and 22 billion yen, respectively, while the aim will be to raise the foreign ratio to 35% and 20% for sales and operating income, respectively.

2) Principle issues and measures

Principle Issues	Measures
<p>1) <b><u>Promotion of further streamlining in domestic businesses</u></b></p> <p>(1) Restructuring of domestic production system</p> <p>(2) Strengthening of domestic sales system</p> <p>(3) Development in new fields</p> <p>(4) Energy savings, reduction of CO<sub>2</sub> emissions and development of disaster-resistant system</p>	<p>(1) Consolidation of Tokyo Plant into Tokyo No. 2 Plant</p> <p>(2) Relocation of excess domestic facilities to other countries</p> <p>(3) Assignment of the right human resources</p> <hr/> <p>(1) Strengthening of group sales capabilities</p> <p>(2) Aggressive efforts to meet reconstruction demand</p> <p>Pole Division: Opening of Sendai Pole Dept. (April 2012)</p> <p>Maruichi Kohan: Opening of office in Kitakami City, Iwate (August 2012)</p> <p>Column inventory, cutting edge preparation and strengthening of sales in Kanto area</p> <hr/> <p>(1) Entry into stainless steel pipe field (have stainless steel pipe line at Tokyo No. 2 Plant support overseas business as mother line)</p> <p>(2) Solar power generation efforts</p> <p>Consideration of commercializing mega solar power generation (Takuma Plant) and entry into frame fabrication/construction market</p> <p>(3) Entry into deformed pipe field through Toyo Superior Steel Tube Works</p> <hr/> <p>(1) Aggressive action on energy savings and reduction of CO<sub>2</sub> emissions, liquefaction/tsunami measures</p>
<p>2) <b><u>Expansion of foreign sales and strengthening of profitability by focusing investments on highly promising Asian region, strengthening automotive field as it shifts heavily towards overseas production and launching energy-related products</u></b></p> <p>(1) Vietnam: Significant expansion of SUNSCO steel pipe and steel plate businesses</p>	<p>(1) Full-scale deployment of API business via 16-inch mill and creation of building material demand in Vietnam</p> <p>(2) Successful launch of second CGL/CCL</p> <p>(3) Improvement of facility operation rate and expansion of production volume through stable operation</p> <p>(4) Moving into the black through full scale motorcycle operations in Hanoi and launching of local production of stainless steel pipes</p> <p>(5) Fulfilling of role as steel pipe/steel plate production and sales facility for Japanese companies by acquiring JIS certification</p>

<p>(2) China: Expansion of MMP business</p> <p>(3) United States: Development of Leavitt automobile and API businesses New MAC business expansion Launch of automotive business in Mexico</p> <p>(4) India: Launch of operations at Chennai Plant and launch of ordinary automotive steel pipe and tube business</p> <p>(5) Indonesia: Expansion of automotive steel pipe business</p>	<p>(1) Handling of production expansion at Japanese automobile manufacturers</p> <p>(2) Expansion of parts processing business through collaboration with Alpha Metal</p> <p>(1) Leavitt: Strengthening of management foundation and improvement of profitability through shift from focus on steel tubes for architecture structural purposes to automotive/API steel pipes</p> <p>(2)MAC: Equipment replacement. Expansion of share on west coast</p> <p>(3)Launch of operations at automotive steel pipe plant in Mexico (Maruichimex)</p> <p>(1) Maintenance of overwhelming share in automotive stainless steel pipe market</p> <p>(2) Expansion of business fields by manufacturing ordinary steel pipes and tubes for Japanese automobile manufacturers</p> <p>(1) Handling of full-scale entry of Japanese automobile manufacturers</p> <p>Proactive handling of local steel tube procurement needs</p>
<p>(6) Consideration of new operations to handle overseas shift by Japanese automobile manufacturers</p> <p>(7) Strengthening of overseas business of Toyo Superior Steel Tube Works</p>	<p>(1) System enhancement in China, Indonesia and India, launch of production for automobiles in USA and entry into Mexican market</p> <p>(2) Utilization of Alpha Metal parts processing technology in overseas businesses</p> <p>(3) Unification of domestic/international sales system Securing of business deals overseas through quick ascertainment of overseas operational information and collaboration with overseas subsidiaries</p> <p>(4) New development of automotive stainless steel pipe business</p> <p>(5) Utilization of Maruichi brand in steel pipe business: Additional consideration of Leavitt/SUNSCO name change</p> <p>(1) Support for and strengthening of business in China and consideration of setting up operations in other overseas regions</p>

<p>(8) Improvement of management of overseas subsidiaries</p> <p>(9) Strengthening of alliance with Australia-based ATM</p>	<p>(1) Early completion of management system for overseas subsidiaries (SUNSCO and KUMA)</p> <p>(2) Conversion of KUMA, new Mexican company into consolidated subsidiary</p> <p>(3) Delivery of returns to head office through dividends and royalties from overseas subsidiaries</p>
<p>3) <b><u>Quick development of overseas human resources (groundwork for globalization)</u></b></p> <p>(1) Quick development of human resources corresponding to full-scale launching of overseas operations</p> <p>(2) Quick development of local human resources</p>	<p>(1) Aggressive dispatching of young human resources overseas. Overseas dispatching for language study and training</p> <p>(2) Development of human resources that can perform overseas</p> <p>(1) Promotion of quick development and advancement of local human resources and technology transfer</p>
<p>4) <b><u>Continuation of shareholder-focused capital policy</u></b></p>	<p>(1) Maintenance of high shareholder return ratio</p>

(Note) Formal names of overseas subsidiaries

Leavitt(The U.S) : Leavitt Tube Company,LLC

MAC(The U.S) : Maruichi American Corporation

Maruichimex(Mexico) : Maruichimex S.A.de C.V

MMP(China) : Maruichi Metal Product(Foshan)Co.,Ltd./Maruichi Metal Product(Tianjing)Co.,Ltd.

SUNSCO(Vietnam) : Sun Steel Joint Stock Company/Suns Steel(Hanoi) Co.,Ltd.

J-Spiral(Vietnam) : J-Spiral Steel Pipe Co.,Ltd.

KUMA(India) : Maruichi Kuma Steel Tube Private Ltd.

ISTW(Indonesia) : P.T.Indonesia Steel Tube Works