

March 9, 2018

To whom it may concern:

Company name: Maruichi Steel Tube Ltd.
Representative: Hiroyuki Suzuki, Representative Director,
Chairman & CEO
(Securities code: 5463, TSE First Section)
Contact: Takeshi Takeuchi, General Manager,
Office of the President
(Tel: +81-6-6531-0102)

Notification Concerning the Fifth Medium-Term Management Plan

The Group has summarized the results of the Fourth Medium-Term Management Plan ending in March 2018, and formulated the Fifth Medium-Term Management Plan to begin in April 2018. An outline is presented below.

1. Summary of the Fourth Medium-Term Management Plan

1) Achievement Status of Numerical Targets

(billion yen, unless otherwise noted)

	FY2017 Targets	FY2015	FY2016	FY2017 (Projections)
Net sales	185.0	145.0	137.2	153.4
Operating income	22.5	17.0	24.5	19.6
Operating margin	12%	11.7%	17.8%	12.8%
ROE	6.5% and over	4.7%	7.4%	5.7%
Shareholder return ratio (3-year average)	70% and over	81.6%		
Return of profit to society	Approximately 0.5% of nonconsolidated net income after paying dividend	22 million yen/annual average		

- i. There was a considerable target shortfall in net sales due to the less-than-planned sales volume and a considerable drop in steel price.
- ii. Although the operating income target was achieved in FY2016, there was a considerable target shortfall in FY2017.
- iii. The operating margin target was achieved in FY2016 and FY2017 due to a recovery in revenue from overseas.
- iv. Although the ROE reached 7.4% in FY2016, the ROE for FY2017 was 5.7% and did not reach the target due to a decrease in income.
- v. Targets were achieved for both the shareholder return ratio and the return of profit to society.

2) Domestic Results

- i. Capital investments were made to streamline production and to strengthen the sales bases of Maruichi Kohan Ltd. (The total investment amount was 12.5 billion yen.)
- ii. The Osaka Plant was consolidated into the Sakai Plant.

3) Results and Reflections Overseas

- i. MOST launched operations in the upper west coast of the U.S. and Canada.
- ii. Leavitt remained in the black due to the recovery in U.S. steel market conditions and other factors.
- iii. The three U.S. companies decided to replace facilities and establish new lines.

- iv. SUNSCO (HCM) had issues in strengthening sales capabilities and stably operating its facilities in Vietnam and was unable to keep the business in the black.
- v. KUMA started operations of the Bangalore Plant and greatly expanded sales by establishing additional large-diameter tube lines.
- vi. The launch of MPST's new plant for automobiles and motorcycles was decided.

4) Capital Policy and Social Contributions

- i. High dividend payout was made, and the shareholder return ratio target was achieved.
- ii. Social contributions were made in Japan and overseas to the fields of education, medical care, culture, sports, and others.

Based on the above results of and reflections on the Fourth Medium-Term Management Plan, and considering the environment surrounding the Group in the coming three years, we formulated the Fifth Medium-Term Management Plan as follows.

2. The Fifth Medium-Term Management Plan

1) Business Environment Surrounding the Company

- i. Japan: While there will be no sharp decline in the economy, steel demand is not expected to increase.
- ii. Overseas: The U.S. economy will continue to remain strong and sustain a moderate growth. Emerging countries are expected to continue to achieve high growth.
- iii. The shift to overseas will continue mainly in the automobile industry. Preparations for the shift to electric vehicles need to be started.
- iv. Owing to the steady economy in each country, there will be no major downturn in the steel price.
- v. "Increasing profitability," "increasing labor productivity," and "procuring human resources" are the issues facing enterprises.

2) Targets of the Fifth Medium-Term Management Plan

- i. Net sales: Increase net sales by expanding sales volume overseas and by recovering sales prices in Japan and overseas
- ii. Operating income: Increase income by widening spread in Japan and overseas, and increase income by expanding operations overseas
- iii. Consolidated operating margin and ROE: Maintain high profitability in Japan and increase margin overseas

(billion yen, unless otherwise noted)

	FY2017 (Projections)	FY2018	FY2019	FY2020 Targets
Net sales	153.4	164.5	170.0	175.0
Operating income	19.6	18.9	19.6	24.0
Operating margin	12.8%	11.5%	11.5%	13.7%
ROE	5.7%	5.3%	5.5%	6.5%
Shareholder return ratio	49.0%	50.0%	50.0%	50.0%
Social contribution (million yen)	23.5	30	30	30

(An exchange rate of 110 yen/US\$ is assumed.)

3) Issues and Major Initiatives of the Fifth Medium-Term Management Plan

(1) Commitments in Japan

- i. Maintaining high profitability and further strengthening sales capabilities
- ii. Responding to the shortage of workers and increasing productivity

- Increasing production and clerical work efficiency using IoT and AI
- Replacement of facilities, and review of recruitment policy and work styles
- Use of female human resources and foreigners

(2) Commitments Overseas

- Three U.S. companies: Expanding operations using newly established or replaced facilities and by further strengthening marketing capabilities
- SUNSCO (HCM): Further reducing costs and establishing a profitable structure by strengthening domestic sales capabilities mainly for pipes and by improving facility operating rates and yield
- Automobiles and motorcycles: Implementing capital investments and strengthening sales capabilities in line with the expanded production in each country
- Procuring talented local human resources and further level enhancement. Facilitating the replacement of employees dispatched from the head office with local human resources
- Using overseas revenue to increase profit redistribution in Japan in the form of dividend, royalty, or the like

(3) Common Commitments in Japan and Overseas

- Increasing labor productivity per working hour and labor cost
- Giving further consideration to the environment, enhancing energy efficiency, and strengthening safety measures
- Proactively considering M&A and other business investments in Japan and overseas

(4) Shareholder-Focused Policy and Social Contribution Policy

- Dividend policy: Firmly upholding the policy of “nonconsolidated ordinary income x (1- effective corporate tax rate) x 50%”
- Continuing to provide approximately 0.5% of nonconsolidated net income after payment of dividends as social contribution
- Increasing social contributions in Japan and overseas
 - Japan: Contributing to the fields of culture, art, sports, medical care, education, and natural environment protection
 - Emerging countries: Increasing contributions to poverty eradication, health care, medical care, and education promotion
(Vietnam: Supporting the Asia Prevention of Blindness Association; India: Offering scholarships to high school students in poor neighborhoods and creating jobs by expanding business)

End

(Reference) Official names of the above overseas subsidiaries

Leavitt (the U.S.): Maruichi Leavitt Pipe & Tube, LLC

MOST (the U.S.): Maruichi Oregon Steel Tube, LLC

KUMA (India): Maruichi KUMA Steel Tube Private LTD

MPST (Philippines): Maruichi Philippines Steel Tube Inc.

SUNSCO (HCM) (Vietnam): Maruichi Sun Steel Joint Stock Company