

# Kobelco become Maruichi; commitment to quality remains unchanged



**On June 1, Kobelco Steel Tube Co., Ltd. changed its name to Maruichi Stainless Tube Co., Ltd. The company continues to provide a stable supply of high-quality seamless stainless pipes and tubes. It also produces high-growth products such as semiconductor bright annealed pipes and precision bright annealed tubes for direct injection automotive engines. Stainless Steel World spoke to President and Representative Director Mr. Takashi Onishi about the transition.**

*By Joanne McIntyre*

The decision to change the company name to Maruichi Stainless Tube was undertaken to strengthen the global production and sales network of the Group, while enhancing collaboration in manufacturing technology and further cultivating growth opportunities. “The new corporate name clearly identifies our affiliation with the Maruichi

Steel Tube Group and our continued commitment to manufacturing seamless stainless steel pipes and tubes within the Group,” explains Mr. Onishi. “Our company has produced seamless stainless steel pipes and tubes fabricated through the hot extrusion process for over 60 years. With the support of our domestic and

international customers, we have continuously provided new and high-quality products, evolving to meet the needs of each era.” “The corporate name change will also be the impetus to pioneer a new era for our company through transformative renovation. We will be steadfast in responding to the growing demand



*The company has produced seamless stainless steel pipes and tubes using the hot extrusion process for over 60 years.*

for seamless stainless steel pipes and tubes, evolving from the shift towards a low-carbon society in the resource-energy industry, and the expansion of the semiconductor industry.”

### **New corporate structure**

Several months after the transition, Mr. Onishi shared how the company is pursuing a new corporate structure. “We’re responding to increased demand for seamless stainless-steel tubing, precision tubing (BA tubing), boiler tubing, and more. We are continuing to obtain our source blooms from Kobe Steel and collaborating to develop new products while taking advantage of Maruichi Steel Tube’s intelligent production system, sales, and distribution network. As we are very selective about where

we purchase the large quantities of stainless steel we use to manufacture our products, we approached Kobe Steel and formed an agreement for a continuous supply. Our specialized Development Department and the Technical Development Group of Kobe Steel have also joined forces and formed an agreement to pursue new technological developments.” Mr. Onishi explained that the strong demand for precision tubing for fuel injection lines is driving ahead developments to meet the needs of auto manufacturers.

“Although we are separate from the Kobelco Group, we have decided to accept a new parent company with the awareness that we will continue being competitors, as before. In the months since the change, we’ve started initiatives to deepen our ties. For example, executives and department heads from Maruichi Steel Tube - including Mr. Hiroyuki Suzuki, (Chairman Representative Director & CEO of Maruichi Steel Tube Ltd. and Executive Chairman of Maruichi Stainless Tube Co., Ltd.) have visited to conduct factory inspections. We

want to join forces and move forward together.”

### **Semiconductor and automotive markets**

Mr. Onishi explained that there is currently a robust demand for precision tubing for gas piping at semiconductor factories.

“In the first quarter of 2020, orders were up 150% compared to the same period last year. We produce primarily for the USA, South Korea, and China, against the backdrop of the launch of 5G services and the continuing construction of semiconductor factories. My intuition tells

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For information, visit: [www.stainless-steel-world.net/sswj2021](http://www.stainless-steel-world.net/sswj2021)



*The new name Maruichi Stainless Tube will strengthen the company's global production and sales network, enhance collaboration in manufacturing technology, and cultivate growth opportunities.*

me that 5G will take two to three years to become widespread; it as an application where demand will develop robustly.” “In the automotive field, hybrid technology is proliferating and the installation rate of hybrid GDI engines, which feature GDI engine technology where fuel is injected directly into the cylinder, is increasing. Demand for fuel injection lines for these engines

is, therefore, expected to increase as well in the future. We're producing not only for the Japanese market but also with an eye to China and the US, and orders are increasing year-on-year. Right now, the coronavirus is hitting hard, but as the situation normalizes, we will see demand return to normal. Total conversion to electric vehicles is still some time away, I think.”



*Coil tubes are one of the company's most important product groups.*



*Bright annealed tubing for semi conductors.*

## Stagnation in the global market

With tensions between the US and China having impacted trade in 2019, Stainless Steel World was keen to learn how Mr. Onishi expected Maruichi's markets to be affected by this year's events.

“Our 2019 sales totalled 25.03 billion yen, and our current ordinary revenue is 530 million yen. The market for stainless steel tubing for the petrochemical industry and other key markets, including precision tubing for cars and semiconductors, did not experience significant growth last year. On the other hand, this year, our sales are projected to be 25.3 billion yen, and our current profits are projected to be 1 billion yen.”

“In the first quarter of our fiscal year (April to June), stainless steel tubing experienced a 25% decrease in both domestic sales and exports compared to the same period in 2019, due to the pandemic crisis. This was largely because domestic consumers were mostly working from home, so the market didn't develop according to plan. As for overseas markets, even the act of communication became a little more difficult. Stainless steel tubing is on a particularly steep downward trend, so our most pressing concern is when this sector will recover. Conversely, orders are strong for precision tubing, and I believe that will, to a degree,

offset the slump in stainless steel tubing orders.”

### Structural changes and optimization

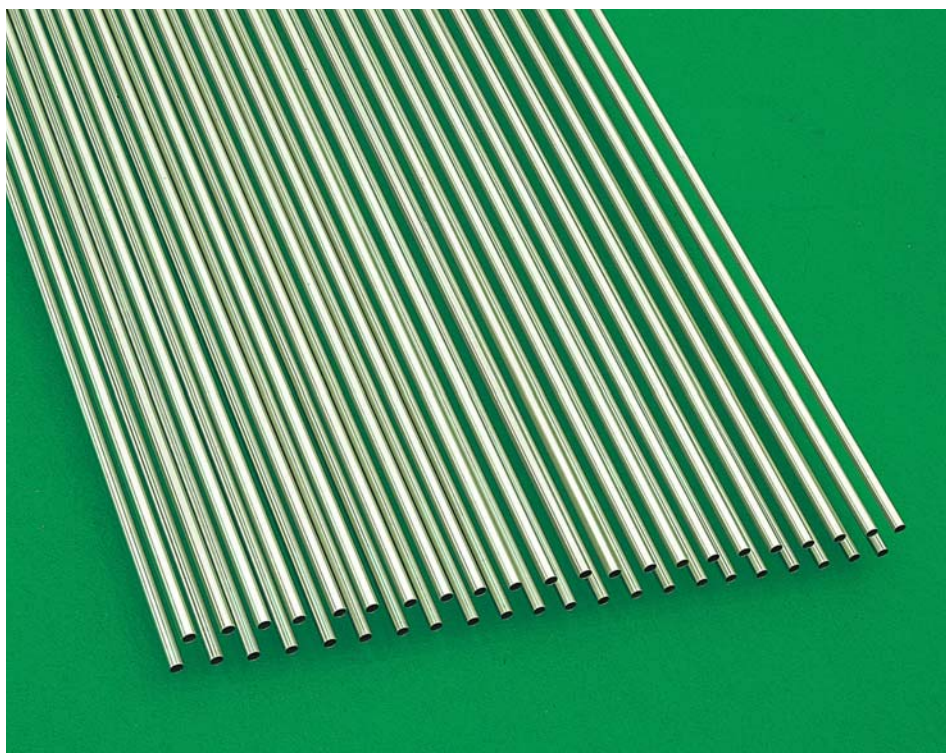
Mr. Onishi explained that Maruichi’s Shimonoseki plant produces 900 tons of stainless-steel tubing and 155,000 to 160,000 pieces of precision tubing per month. “Our company handles relatively niche products in the market, and that enables us to sell them as high-quality, value-added products. We expanded our facilities two years ago. Our upper production capacity limit is 178,000 pieces, but for the second half of our 2020 fiscal year we’re expecting to produce around 170,000 pieces, so we’re proceeding with a rearrangement of personnel. With demand for stainless-steel tubing being in a slump, we are switching our spare personnel to BA tubing production and working hard to guarantee production capacity.” Large-diameter production is continuing from for the company’s 8 to 10-inch diameter range.

### Increased competition

Mr. Onishi expects that competition from overseas manufacturers in China, South Korea, and India will intensify. “I imagine it won’t be long before that happens. Domestically, we have the JIS, so quality is assured, but in the larger Asian market, I’d have to say that price is to be considered of great importance. You have to consider how to respond to that kind of market. Furthermore, US consumers also tend to have a strong emphasis on quality, so I don’t think there’s going to be an instantaneous worldwide price collapse. Even for procuring materials, there are alternatives that would allow for materials with high added value, such as high-nickel options, to be supplied at a lower cost from overseas. However, we have no intention of simply chasing after low prices alone. We prefer to focus on supplying products with more added value, and manufacturing with greater efficiency and cost-effectiveness to remain competitive.”

### The post-Kobelco era

During the company’s Kobelco era, Mr. Onishi explains that the focus was on bolstering its BA precision tubing factory to maximize earnings. “The investment side of that initiative, including the expansion of our precision tubing production lines, is



*Orders for BA precision tubing are largely expected to offset the slump in stainless steel tubing orders.*

almost complete. With the way 2020 is evolving, we are not reaching the level of the earnings that we had envisioned at the time. Looking forward, we are creating a new business plan to fulfil those goals.”

### “Orders are strong for precision tubing”

“To digress, I think that Kobe Steel by nature, focused on sales of distinctive products instead of general mass-produced, general-market items. Our company has pursued niche demand throughout the Kobe Special Tube (1996) and Kobelco Steel Tube (2016) eras. Even though we’ve changed our name to Maruichi Stainless Steel Tube, we’re continuing to adapt ourselves to a changing market, pursuing niche demand, and supplying value-added products. Given the Maruichi Steel Tube Group’s strong financial foundation, we want to plan technological improvement and facility upgrades to improve our performance. Chairman Suzuki has given us a high target—a 10% ROS—so we have to step up.”

### Synergy between Maruichi Stainless & Maruichi Steel

Maruichi Stainless Tube works very closely with its ‘sister’ company, Maruichi Steel Tube and is keen to

develop this relationship further.

“We have great synergy as both are steel pipe makers, even though there is a difference of welded steel pipes versus seamless steel pipes,” explains Mr. Onishi.

“While our products and main business areas do not overlap, the automotive market is our common denominator. For example, at our overseas locations, there is the potential to supply both Maruichi Steel Tube and Maruichi Stainless Tube products. We will contribute to the increasing the connectivity of the group management with products in certain sectors; for example, Maruichi Steel Tube had until now not been active in the semiconductor market.”

### Facts & Figures

Name:	Maruichi Stainless Tube Co., Ltd
Founded:	1959 (as a factory of Kobe Steel, Ltd.) On April 2020, all shares were transferred from Kobe Steel, Ltd. to Maruichi Steel Tube Ltd.
Equity capital:	JPY 4,250,000,000
Employees:	370
URL:	www.mstube.co.jp/english