

February 4, 2020

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Announcement regarding the Launch of a business base in Canada.

KYOEI STEEL LTD. (the “Company”) resolved, at its board of directors’ meeting held today, to acquire assets located in Alberta, Canada which constitute a part of the business of Moly-Cop AltaSteel Ltd. (having its head office in British Columbia, Canada; “MC AltaSteel”), owned by AIP MC Holdings LLC (having its head office in Nebraska, U.S.; “AIP MC”) (the “Acquisition of Assets related to AltaSteel”). Furthermore, the Company has executed agreements necessary for the Acquisition of Assets related to AltaSteel with MC AltaSteel on the same date (the “Acquisition Agreements”).

Details

1. Purpose of the Acquisition Agreements

The electric arc furnace business, which is the core business of the Company group, sells steel materials produced from ferrous scraps generated in a region mainly within that region, which is local production for local consumption-based businesses. In Japan, under the “local mini-mill vision,” the Company has established a business base in a region having the demand and has engaged in the steel business rooted in that region. In foreign countries, under the same vision, the Company has established and acquired competitive mini-mills (electric arc furnace plant) located near regions having demand and has built linkages among plants, through which the Company has made efforts to enhance its corporate value.

Given that the demand for steel in Japan is expected to decline from a long-term perspective, the Company has regarded its overseas steel business as an important component of its growth strategies, and under the “World Trilateral Regime”, it so far has conducted business in the Socialist Republic of Viet Nam and in the U.S. As the Company’s Medium-term Business plan ended 2020 fiscal year launched Initiatives for “Increase the volume of shipments and become more profitable in overseas steel business,” the Company has strived to succeed at its goal of increasing profits in its overseas steel business by up to 30% of the Company’s group total earnings, by building a framework for annual shipments of 2.2 million tons abroad and improving profitability.

Regarding the business in North America, after acquiring Vinton Steel LLC (“Vinton”) located in Texas, in the U.S., as a beachhead of our business at the end of 2016, the Company explored opportunities to expand its business from the perspective of expanding business scale. The MC AltaSteel base (Assets related to AltaSteel), that the Company has recently obtained an opportunity to acquire, has steadily developed its business in Edmonton, Alberta, Canada as the sole mini-mill in Western Canada. After careful consideration, the Company decided that acquiring the assets would match its business vision and would contribute to the advancement of the “World Trilateral Regime.” In addition, as with Vinton, MC AltaSteel manufactures and sells base materials for steel balls for grinding ore in mines. The Company decided that by means of the Acquisition of Assets related to AltaSteel, it would have AltaSteel work together with Vinton and expand the Company group’s steel business further in North America.