

December 21, 2016

Company name: KYOEI STEEL LTD.  
Representative: Mitsuhiro Mori, President  
Stock code: 5440  
Listing: First Section, Tokyo Stock Exchange  
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### **Announcement regarding the Acquisition of Interests in BD Vinton LLC in the U.S. (Subsidiary Acquisition)**

KYOEI STEEL LTD. (the “Company”) resolved at its board of directors’ meeting held on December 20, 2016 (JST), to acquire all interests in BD Vinton LLC (its head office is in Texas, U.S.; “BD Vinton”), which is the subsidiary of Bayou Steel BD Holdings, L.L.C. (its head office is in Delaware, “BD Holdings”), through KYOEI STEEL America LLC (its head office is in Delaware, U.S.; “KYOEI STEEL America”), which is a holding company owned by the Company in the U.S. (this “Acquisition”). Furthermore, the Company has executed the Sale and Purchase Agreement (“SPA”) between BD Holdings and completed the Acquisition on the same date (CST). The Company hereby announces details of this Acquisition.

#### Details

##### 1. Purpose of this Acquisition

The Company has been conducting its business in the Socialist Republic of Viet Nam to increase the momentum of its foreign steel business, which is one of its growth strategies. Investment in increasing the capabilities and construction of harbors, etc. is steadily improving in Vietnam.

As the Company has held numerous discussions regarding investment in foreign business and considered that the steel business in mainly Texas through the West Coast of the U.S. is prospective, the Company has decided to acquire all interests in BD Vinton, which is operated in Vinton, El Paso, Texas, and treat BD Vinton as the production and sale base of its steel business in the U.S. By having a new business base in the U.S., we intend to spread the risk of business investment and expand the global network of the Company, and enforce the revenue base of the foreign steel business.

##### 2. Scheme of this Acquisition

The Company acquires all interests in BD Vinton, which is one of the bases of BD Holdings, from it through KYOEI STEEL America and changes the name of BD Vinton to “Vinton Steel LLC”, and makes BD Vinton the business base of the Company group in the U.S.

The aggregate purchase price is about USD 52 million (approximately JPY 6,117 million\*<sup>1</sup>), including the interests in BD Vinton and advisory fees, etc.

\*1 Calculated at USD 1 = JPY 117.63 (the exchange rate as of December 19, 2016. The same applies hereinafter when USD is converted into JPY.)

##### 3. Outline of Subsidiary to be transferred (BD Vinton)

Corporate name: BD Vinton LLC  
Location: Vinton, El Paso, Texas, U.S.  
Representative: Alton W. Davis, President

Description of business: Production and Sale of steel material (rebars and steel balls to grind ore in the mines)

Year established: 1962

Net assets: USD 52.2 million (JPY 6,144 million) (as of the end of September 2016)

Total assets: USD 59.4 million (JPY 6,982 million) (as of the end of September 2016)

Investor and ownership ratio: Bayou Steel BD Holdings, L.L.C. 100%

Relationship between the Company and BD Vinton:  
There is no applicable information regarding capital, personal or business relationships.

Sales amount: 200,000 t (rebars 160,000 t; steel balls 40,000 t: record in 2015)

Number of employees: 376 (as of November 2016)

Business performance of BD Vinton in the past three years:

(Unit: million USD)

	FY ended December 31, 2013	FY ended December 31, 2014	FY ended December 31, 2015
Revenue	141.2 (JPY 16,615 million)	159.1 (JPY 18,720 million)	130.3 (JPY 15,327 million)
Gross Profit on Sales	3.2 (JPY 371 million)	0.1 (JPY 17 million)	(Δ0.5) (ΔJPY 60 million)

※ The above figures were calculated when BD Vinton was one of the bases of the predecessor company group and before becoming the subsidiary of BD Holdings (Bayou Steel Group); it is considered that the figures other than the above does not accurately reflect the profitability of the independent corporation since it contributed a certain amount of the money to the predecessor company. Accordingly, the information regarding the management index other than the above cannot be disclosed.

#### 4. Outline of the other party of this Acquisition

Corporate Name: Bayou Steel BD Holdings, L.L.C.

Location: Delaware, U.S.

Representative: Alton W. Davis, President and Chief Operating Officer

Description of Business: Production and sale of steel material

Established year: April 2016 (Bayou Steel Corporation, which is the predecessor company, was established in 1978)

Investor and ownership ratio:  
Black Diamond Capital Management, L.L.C. 100%

Relationship between the Company and BD Holdings:  
N/A regarding capital, personal and business, and BD Holdings does not fall under Related Party

※ The amount of net assets and total assets cannot be disclosed since we have not yet grasped those figures.

#### 5. Outline of BD Vinton after this Acquisition

After the completion of this Acquisition, the Company has BD Vinton as the business base of the Company group in the U.S.

Corporate Name: Vinton Steel LLC

Location: Vinton, El Paso, Texas, U.S.

Representative: Masahiro Kitada, President (Executive Officer of the Company)

Description of Business: Production and Sale of steel material (rebars and steel balls to grind ore in the mines)

Production Capacity:       Steelmaking 250,000 t per year  
                                   Rolling 200,000 t per year (rebars)  
                                   Forging 50,000 t per year (steel balls to grind ore in the mines)  
 Established year:           1962  
 Investor and ownership ratio: KYOEI STEEL America LLC \*2       100%

\*2 KYOEI STEEL America is the subsidiary of the Company for the purpose of owning a business company in the U.S.

Corporate name:           KYOEI STEEL America LLC  
 Location:                 Delaware, U.S.  
 Representative:         Masahiro Kitada, President (Executive Officer of the Company)  
 Capital Contribution:    USD 10 million (JPY 1,176 million)  
 Date established:         December 5, 2016  
 Investor and ownership ratio:  
                                   KYOEI STEEL LTD.       100%

#### 6. Schedule (JST)

December 20, 2016       Resolved at the board of directors' meeting of the Company  
 December 21, 2016       Execution of the SPA in the U.S.\*3  
 December 21, 2016       Completion of this Acquisition

\*3 The Company discloses this announcement after the execution of the SPA and the completion of this Acquisition in accordance with the agreement with BD Holdings.

#### 7. Future Prospects

We are now assessing the effect on the consolidated earnings of the Company group in this fiscal year due to the acquisition of the subsidiary. We will disclose further information if the earnings forecast is required to be amended immediately.

End.

(Reference) Consolidated earnings of this fiscal year (disclosed as of October 31, 2016) and consolidated business performance of last fiscal year

(Unit: million JPY)

	Consolidated revenue	Consolidated operating income	Consolidated ordinary income	Net income belongs to the shareholder of the parent company
Consolidated earnings forecast for this fiscal year (FY ended March 31, 2017)	142,000	10,100	10,000	6,200
Consolidated earnings of last fiscal year (FY ended March 31, 2016)	160,952	13,792	14,161	8,467