

March 30, 2015

Company name: Kyoei Steel, Ltd.
Representative: Koji Morita, President
Stock code: 5440
Listing: First Section, Tokyo Stock Exchange
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Notice of Closure of the Hirakata Division Osaka Mill

The Board of Directors of Kyoei Steel, Ltd. approved a resolution on March 30, 2015 to close the Hirakata Division Osaka Mill for the purpose of increasing the speed of the growth strategy that includes restructuring the company's business operations.

1. Reason for Closure of the Osaka Mill

The Osaka Mill started operations in 1962 as the Tsukuda Mill, which was the first electric arc furnace facility of Kyoei Steel. Over more than 50 years since then, this mill has manufactured and sold billets. As a key element of the Kyoei Steel Group's manufacturing network (currently five locations in Japan and two overseas), the Osaka Mill made a significant contribution to advances in the group's manufacturing technologies.

In recent years, demand for billets manufactured by other companies has decreased as steelmakers in Japan and other countries have constructed their own billet manufacturing (steel making process) facilities. Furthermore, starting in 2014, growth in the supply of billets made by Chinese steelmakers is posing a significant threat to the billet market in Southeast Asia.

To overcome these challenges, the Osaka Mill made major cost reductions and raised the quality of its products. However, the decision was made to close this facility because upcoming expenses for maintaining and updating equipment cannot be justified due to the increasingly difficult operating environment.

Production at this location is scheduled to stop at the end of March 2016.

2. Outline of Hirakata Division Osaka Mill

Location: 6-2-56 Tsukuda, Nishiyodogawa-ku, Osaka
Site area: 19,459 m²
Employees: 61 (as of February 28, 2015)
Business: Manufacture and sale of billets
Disposal of industrial waste

3. Schedule

March 30, 2015: Board of Directors' resolution
End of March 2016 (tentative): End of production

4. Transfer of Operations

The Hirakata Division Hirakata Mill will manufacture billets following the March 2016 closure of the Osaka Mill.

5. Employees

Kyoei Steel plans to retain all employees of the Osaka Mill.

6. Effect on Results of Operations

Due to the decision to close the Osaka Mill, Kyoei Steel expects to record an extraordinary loss of approximately 1 billion yen in the fiscal year ending March 31, 2015.