

Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2018 (Fiscal Year 2018)
(Three Months Ended June 30, 2017)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section
 Stock code: 5440 URL: <http://www.kyoeisteel.co.jp/>
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 Scheduled date of filing of Quarterly Report (Japanese version only): August 10, 2017
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated Financial Results for the First Quarter (from April 1, 2017 to June 30, 2017)
of Fiscal Year 2018

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2017	43,251	17.6	1,715	(33.6)	1,665	(35.0)	1,054	(33.8)
Three months ended Jun. 30, 2016	36,764	(12.0)	2,584	(27.7)	2,564	(30.4)	1,592	(35.0)

Note: Comprehensive income Three months ended Jun. 30, 2017: 966 million yen (up 104.5%)
 Three months ended Jun. 30, 2016: 473 million yen (down 82.3%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	24.31	-
Three months ended Jun. 30, 2016	36.77	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2017	218,195	146,779	63.6
As of Mar. 31, 2017	214,341	146,662	64.6

Reference: Shareholders' equity As of Jun. 30, 2017: 138,674 million yen As of Mar. 31, 2017: 138,364 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2017	-	10.00	-	20.00	30.00
Fiscal Year 2018	-	-	-	-	-
Fiscal Year 2018 (Forecast)	-	10.00	-	20.00	30.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecasts of Consolidated Earnings for Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	86,000	20.8	1,400	(73.6)	1,300	(75.4)	1,100	(64.3)	25.37
Full year	180,000	23.3	5,900	(26.0)	5,400	(31.9)	3,900	(18.5)	89.97

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

For more information, please refer to the press release dated today (July 31, 2017) about forecast revisions (Japanese version only).

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: None

Excluded: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Jun. 30, 2017:	44,898,730 shares	As of Mar. 31, 2017:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	1,539,486 shares	As of Mar. 31, 2017:	1,551,786 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	43,350,179 shares	Three months ended Jun. 30, 2016:	43,293,213 shares
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* The current quarterly financial report is not subject to quarterly review procedures.

* Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors.

Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2017 (as of Mar. 31, 2017)	First quarter of FY2018 (as of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	39,446	40,652
Notes and accounts receivable-trade	35,584	38,379
Securities	8,400	6,600
Merchandise and finished goods	15,573	18,470
Raw materials and supplies	13,652	13,735
Other	3,509	3,685
Allowance for doubtful accounts	(115)	(111)
Total current assets	116,050	121,410
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,167	17,720
Machinery, equipment and vehicles, net	37,341	35,804
Land	23,993	23,975
Other, net	1,398	1,503
Total property, plant and equipment	80,900	79,002
Intangible assets	1,989	1,909
Investments and other assets		
Investment securities	11,116	11,608
Other	4,349	4,330
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	15,401	15,875
Total non-current assets	98,291	96,785
Total assets	214,341	218,195

(Unit: millions of yen)

	FY2017 (as of Mar. 31, 2017)	First quarter of FY2018 (as of Jun. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,967	12,105
Short-term loans payable	24,388	30,700
Current portion of long-term loans payable	3,041	2,954
Income taxes payable	949	368
Provision for bonuses	701	486
Provision for directors' bonuses	110	23
Other	8,877	8,233
Total current liabilities	50,034	54,868
Non-current liabilities		
Long-term loans payable	13,427	12,168
Deferred tax liabilities	920	1,087
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for directors' retirement benefits	9	10
Net defined benefit liability	76	77
Other	779	773
Total non-current liabilities	17,644	16,548
Total liabilities	67,678	71,416
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	91,730	91,914
Treasury shares	(1,915)	(1,892)
Total shareholders' equity	129,823	130,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,952	2,305
Deferred gains or losses on hedges	40	40
Revaluation reserve for land	4,618	4,618
Foreign currency translation adjustment	1,930	1,657
Remeasurements of defined benefit plans	2	23
Total accumulated other comprehensive income	8,542	8,643
Non-controlling interests	8,298	8,105
Total net assets	146,662	146,779
Total liabilities and net assets	214,341	218,195

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statements of Income)****(For the Three-month Period)**

(Unit: millions of yen)

	First three months of FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)	First three months of FY2018 (from Apr. 1, 2017 to Jun. 30, 2017)
Net sales	36,764	43,251
Cost of sales	31,491	38,532
Gross profit	5,272	4,719
Selling, general and administrative expenses	2,689	3,004
Operating profit	2,584	1,715
Non-operating income		
Interest income	54	73
Dividend income	100	126
Share of profit of entities accounted for using equity method	37	7
Foreign exchange gains	25	2
Other	51	62
Total non-operating income	268	270
Non-operating expenses		
Interest expenses	269	258
Other	19	62
Total non-operating expenses	288	320
Ordinary profit	2,564	1,665
Extraordinary income		
Gain on sales and retirement of non-current assets	111	2
Total extraordinary income	111	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	100	29
Loss on liquidation of business	60	-
Loss on accident	-	167
Other	14	7
Total extraordinary losses	173	204
Profit before income taxes	2,502	1,464
Income taxes	694	329
Profit	1,808	1,135
Profit attributable to non-controlling interests	216	81
Profit attributable to owners of parent	1,592	1,054

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three-month Period)

(Unit: millions of yen)

	First three months of FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)	First three months of FY2018 (from Apr. 1, 2017 to Jun. 30, 2017)
Profit	1,808	1,135
Other comprehensive income		
Valuation difference on available-for-sale securities	(465)	353
Foreign currency translation adjustment	(891)	(548)
Remeasurements of defined benefit plans, net of tax	21	21
Deferred gains or losses on hedges	-	6
Total other comprehensive income	(1,335)	(168)
Comprehensive income	473	966
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	726	1,155
Comprehensive income attributable to non-controlling interests	(254)	(189)

(3) Notes to Quarterly Consolidated Financial Statements**Going-concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment information**

I. First three months of FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)

1. Information related to net sales, profit/loss for each reportable segment (Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	22,950	11,966	1,785	36,701	63	-	36,764
Inter-segment sales and transfers	72	-	409	481	-	(481)	-
Total	23,021	11,966	2,194	37,181	63	(481)	36,764
Segment income (loss)	1,900	642	363	2,904	(1)	(320)	2,584

- Notes:
- Others represent the businesses which are not included in any of the reportable segments and mainly consist of civil engineering materials sales and insurance agent businesses.
 - The adjustment of (320) million yen to segment income (loss) includes 20 million yen in eliminations for inter-segment transactions and (340) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company's head office that cannot be attributed to reportable segments.
 - Segment income (loss) are adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First three months of FY2018 (from Apr. 1, 2017 to Jun. 30, 2017)

1. Information related to net sales and profit/loss for each reportable segment

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	24,995	16,636	1,546	43,176	75	-	43,251
Inter-segment sales and transfers	37	-	247	284	-	(284)	-
Total	25,032	16,636	1,792	43,460	75	(284)	43,251
Segment income	1,410	511	144	2,066	0	(352)	1,715

- Notes:
1. Others represent the businesses which are not included in any of the reportable segments and mainly consist of civil engineering materials sales and insurance agent businesses.
 2. The adjustment of (352) million yen to segment income includes 4 million yen in eliminations for inter-segment transactions and (356) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company's head office that cannot be attributed to reportable segments.
 3. Segment income are adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

In the overseas steel business segment, Kyoei Steel used U.S. consolidated subsidiary Kyoei Steel America LLC to purchase all of the stock of Vinton Steel and its subsidiary in the previous fiscal year. Provisional goodwill of 375 million yen was posted following this acquisition. Following completion of the allocation of the acquisition cost, goodwill was subsequently revised to 705 million yen.

Significant gain on bargain purchase

Not applicable.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.