

**Consolidated Financial Results**  
**for the Third Quarter of Fiscal Year Ending March 31, 2020 (Fiscal Year 2020)**  
**(Nine Months Ended December 31, 2019)**

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section  
 Stock code: 5440 URL: <http://www.kyoeisteel.co.jp/>  
 Representative: Yasuyuki Hiroto, President  
 Inquiries: Akinori Masuda, General Manager of Corporate Planning Dept.  
 Tel: +81-6-6346-5221 (from overseas)

Scheduled date of filing of Quarterly Report (Japanese version only): February 14, 2020

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 Third Quarter (from April 1, 2019 to December 31, 2019)**  
**of Fiscal Year 2020**

(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	%
Nine months ended Dec. 31, 2019	183,418	3.9	15,329	127.2	14,977	153.6	5,514	21.1
Nine months ended Dec. 31, 2018	176,488	28.0	6,747	126.6	5,906	125.5	4,555	211.1

Note: Comprehensive income Nine months ended Dec. 31, 2019: 4,892 million yen (up 22.0%)

Nine months ended Dec. 31, 2018: 4,008 million yen (up 71.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	126.87	-
Nine months ended Dec. 31, 2018	104.90	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Dec. 31, 2019	255,781	156,886	57.4
As of Mar. 31, 2019	261,590	153,781	54.8

Reference: Shareholders' equity As of Dec. 31, 2019: 146,702 million yen As of Mar. 31, 2019: 143,407 million yen

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	10.00	-	30.00	40.00
Fiscal Year 2020	-	10.00	-	-	-
Fiscal Year 2020 (Forecast)	-	-	-	50.00	60.00

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

**3. Forecasts of Consolidated Earnings for Fiscal Year 2020 (from April 1, 2019 to March 31, 2020)**

(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
Full year	240,000	(0.9)	18,500	101.1	18,000	108.2	8,000	23.0	184.08

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

**\* 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: Yes

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 Dec. 31, 2019:	44,898,730 shares	As of Mar. 31, 2019:	44,898,730 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Dec. 31, 2019:	1,439,755 shares	As of Mar. 31, 2019:	1,439,682 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	43,459,004 shares	Nine months ended Dec. 31, 2018:	43,419,702 shares
----------------------------------	-------------------	----------------------------------	-------------------

\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* 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. For a discussion of the assumptions for forecasts, precautions concerning usage and other information, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 3 of the attachments.

**Contents of Attachments**

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income for the Nine-month Period	6
Quarterly Consolidated Statements of Comprehensive Income for the Nine-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going-concern Assumption	8
Significant Changes in Shareholders' Equity	8
Changes in Accounting Policies	8
Segment and Other Information	8

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first nine months of the fiscal year ending March 31, 2020, the Japanese economy showed a gradual recovery, with personal consumption relatively firm due to improvements in the employment and income environment and various policy effects. However, the outlook remains uncertain due to factors such as trends in U.S.-China trade friction and uncertainties in the outlook for the global economy including the UK's withdrawal from the EU.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, demand was sluggish both for construction and civil engineering uses. On the other hand, the steel scrap market, which had been on a downward trend since April, bottomed out and began to rise in November. However, the recovery was lower than initially expected. As a result, the metal spread (the difference between the prices of steel products and steel scrap), which is a major source of the Group's earnings, has increased.

In the overseas steel business, although the competitive environment continued to be severe in Vietnam, overall business performance exceeded the same period of the previous fiscal year. In the United States, demand for steel products was firm. However, the business environment has changed as the steel products market that had overheated in the second half of the previous fiscal year entered the adjustment phase and other factors.

Consolidated net sales increased 6,930 million yen (3.9%) to 183,418 million yen. Operating profit increased 8,582 million yen (127.2%) to 15,329 million yen and ordinary profit increased 9,071 million yen (153.6%) to 14,977 million yen. Profit attributable to owners of parent increased 959 million yen (21.1%) to 5,514 million yen, although there was an impairment loss on non-current assets including goodwill in the first nine months at Vietnam Italy Steel Joint Stock Company, which is located in northern Vietnam.

Results by business segment are as follows.

#### 1) Domestic Steel Business

Shipments decreased 52,000 tons from one year earlier to 1,250,000 tons. The price of steel scrap fell by 7,700 yen (21.3%) per ton and product prices increased by 1,300 yen (1.9%) per ton. Therefore, the difference between the prices of steel products and steel scrap widened by 9,000 yen (28.0%) per ton compared with one year earlier.

Segment sales decreased 2,243 million yen (2.3%) to 94,646 million yen and operating profit increased 7,610 million yen (129.6%) to 13,484 million yen.

#### 2) Overseas Steel Business

Kyoei Steel operates steel business in Vietnam and the United States.

In Vietnam, business performance was generally firm from the beginning of the fiscal year, supported by strong demand for steel products, and lower prices for steel scrap and semi-finished products, the main raw material for products. In the third quarter of this fiscal year, however, business results were severe due to a decline in the steel products market which further intensified competition.

In the United States, although demand for steel products was firm, profitability has been declining as the steel products market in that country has entered an adjustment phase and other issues.

Segment sales increased 9,270 million yen (12.5%) to 83,597 million yen and operating profit increased 1,000 million yen (91.6%) to 2,091 million yen.

#### 3) Material Recycling Business

Effects of falling steel scrap prices, rising processing costs and a decline in the number of one-time orders affected segment performance. Segment sales decreased 160 million yen (3.2%) to 4,814 million yen and operating profit decreased 121 million yen (14.9%) to 693 million yen.

**4) Others**

This category includes sales of civil engineering materials, an insurance agent business and other activities by a subsidiary. In addition, Kyoei Steel has harbor operations in Vietnam. Sales increased 64 million yen (21.4%) to 361 million yen, and operating profit increased 148 million yen (compared with operating loss of 69 million yen one year earlier) to 80 million yen.

**(2) Explanation of Financial Position****Assets**

Current assets decreased by 1,604 million yen, or 1.0%, from the end of the previous fiscal year to 160,312 million yen. This was attributable mainly to an increase of 7,838 million yen in cash and deposits, and decreases of 4,716 million yen in notes and accounts receivable-trade, 2,530 million yen in merchandise and finished goods, and 2,813 million yen in other current assets.

Non-current assets decreased by 4,204 million yen, or 4.2%, from the end of the previous fiscal year to 95,470 million yen. This was mainly attributable to increases of 1,089 million yen in other, net under property, plant and equipment, and 1,302 million yen in other under investment and other assets, and decreases of 2,991 million yen in machinery, equipment and vehicles and 3,648 million yen in goodwill.

Total assets decreased by 5,808 million yen, or 2.2%, from the end of the previous fiscal year to 255,781 million yen.

**Liabilities**

Current liabilities decreased by 6,126 million yen, or 7.7%, from the end of the previous fiscal year to 73,774 million yen. This was attributable mainly to increases of 1,011 million yen in income taxes payable and 1,282 million yen in other current liabilities, and decreases of 4,300 million yen in notes and accounts payable-trade and 4,232 million yen in short-term borrowings.

Non-current liabilities decreased by 2,788 million yen, or 10.0%, from the end of the previous fiscal year to 25,121 million yen. This was attributable mainly to a decrease of 3,026 million yen in long-term borrowings.

Total liabilities decreased by 8,914 million yen, or 8.3%, from the end of the previous fiscal year to 98,896 million yen.

**Net assets**

Net assets increased by 3,105 million yen, or 2.0%, from the end of the previous fiscal year to 156,886 million yen. This was attributable mainly to a profit attributable to owners of parent of 5,514 million yen, and dividends of surplus of 1,738 million yen.

As a result, equity to total assets rose from 54.8% to 57.4%.

**(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements**

In the fourth quarter, domestic demand for steel products is expected to remain stagnant. On the other hand, steel scrap prices, the main raw material for Kyoei Steel's products, are expected to remain below our previous assumption. Consequently, the performance of the domestic steel business are likely to exceed our previous forecast. In the overseas steel business, performance is expected to be lower than the previous forecast, as the severe situation in Vietnam continues and the United States steel business is slowing down.

Accordingly, we have revised the consolidated forecast for the fiscal year ending March 31, 2020 that was announced on October 31, 2019 with first half results of operations.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2019 (as of Mar. 31, 2019)	Third quarter of FY2020 (as of Dec. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	42,133	49,971
Notes and accounts receivable-trade	48,845	44,129
Electronically recorded monetary claims-operating	14,854	16,826
Securities	4,400	2,800
Merchandise and finished goods	26,360	23,830
Raw materials and supplies	18,535	18,939
Other	7,289	4,475
Allowance for doubtful accounts	(500)	(659)
<b>Total current assets</b>	<b>161,916</b>	<b>160,312</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,028	20,324
Machinery, equipment and vehicles, net	34,980	31,989
Land	24,249	24,319
Other, net	1,360	2,449
<b>Total property, plant and equipment</b>	<b>81,617</b>	<b>79,081</b>
Intangible assets		
Goodwill	3,944	296
Other	2,565	2,293
<b>Total intangible assets</b>	<b>6,508</b>	<b>2,589</b>
Investments and other assets		
Investment securities	8,120	9,069
Other	3,493	4,795
Allowance for doubtful accounts	(64)	(64)
<b>Total investments and other assets</b>	<b>11,549</b>	<b>13,800</b>
<b>Total non-current assets</b>	<b>99,674</b>	<b>95,470</b>
<b>Total assets</b>	<b>261,590</b>	<b>255,781</b>

(Unit: millions of yen)

	FY2019 (as of Mar. 31, 2019)	Third quarter of FY2020 (as of Dec. 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	17,816	13,516
Electronically recorded obligations-operating	4,673	4,179
Short-term borrowings	40,857	36,625
Current portion of long-term borrowings	3,861	3,802
Income taxes payable	2,053	3,064
Provision for bonuses	718	1,384
Provision for bonuses for directors (and other officers)	2	2
Other	9,920	11,203
<b>Total current liabilities</b>	<b>79,900</b>	<b>73,774</b>
Non-current liabilities		
Long-term borrowings	24,069	21,044
Deferred tax liabilities	730	508
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for retirement benefits for directors (and other officers)	12	-
Retirement benefit liability	74	72
Other	591	1,065
<b>Total non-current liabilities</b>	<b>27,909</b>	<b>25,121</b>
<b>Total liabilities</b>	<b>107,809</b>	<b>98,896</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,141
Retained earnings	98,550	102,360
Treasury shares	(1,700)	(1,700)
<b>Total shareholders' equity</b>	<b>136,507</b>	<b>140,316</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	785	1,156
Deferred gains or losses on hedges	32	(194)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	1,251	718
Remeasurements of defined benefit plans	206	81
<b>Total accumulated other comprehensive income</b>	<b>6,900</b>	<b>6,387</b>
<b>Non-controlling interests</b>	<b>10,374</b>	<b>10,183</b>
<b>Total net assets</b>	<b>153,781</b>	<b>156,886</b>
<b>Total liabilities and net assets</b>	<b>261,590</b>	<b>255,781</b>

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

(Unit: millions of yen)

	First nine months of FY2019 (from Apr. 1, 2018 to Dec. 31, 2018)	First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 2019)
Net sales	176,488	183,418
Cost of sales	159,207	157,141
Gross profit	17,282	26,278
Selling, general and administrative expenses	10,535	10,949
Operating profit	6,747	15,329
Non-operating income		
Interest income	437	518
Dividend income	156	141
Share of profit of entities accounted for using equity method	8	536
Other	286	256
Total non-operating income	887	1,451
Non-operating expenses		
Interest expenses	1,135	1,488
Foreign exchange losses	520	256
Other	74	60
Total non-operating expenses	1,728	1,803
Ordinary profit	5,906	14,977
Extraordinary income		
Gain on sales and retirement of non-current assets	23	16
Gain on step acquisitions	549	-
Insurance claim income	269	36
Other	-	9
Total extraordinary income	842	61
Extraordinary losses		
Loss on sales and retirement of non-current assets	312	489
Impairment loss	-	4,481
Loss on disaster	178	21
Provision for disposal costs of PCBs	-	46
Other	40	66
Total extraordinary losses	529	5,104
Profit before income taxes	6,218	9,934
Income taxes	1,927	4,233
Profit	4,291	5,701
Profit (loss) attributable to non-controlling interests	(264)	187
Profit attributable to owners of parent	4,555	5,514

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

(Unit: millions of yen)

	First nine months of FY2019 (from Apr. 1, 2018 to Dec. 31, 2018)	First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 2019)
Profit	4,291	5,701
Other comprehensive income		
Valuation difference on available-for-sale securities	(665)	371
Deferred gains or losses on hedges	295	(261)
Foreign currency translation adjustment	83	(794)
Remeasurements of defined benefit plans, net of tax	4	(125)
Total other comprehensive income	(283)	(809)
Comprehensive income	4,008	4,892
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	4,232	5,000
Comprehensive income attributable to non-controlling interests	(224)	(108)

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Changes in Accounting Policies**

Application of IFRS 16 “Leases”

Some foreign subsidiaries have started to apply IFRS 16 “Leases” in the first quarter of the current fiscal year. Accordingly, as a lessee, in principle, Kyoei Steel booked all leased assets and liabilities as assets and liabilities in the quarterly balance sheets.

To begin applying this standard, Kyoei Steel is using the approved transitional treatment of recognizing the cumulative effect of applying this standard on the first day that this standard was applied.

The effect of this change on profit or loss in the first nine months of the current fiscal year is insignificant.

**Segment and Other Information**

I. First nine months of FY2019 (from Apr. 1, 2018 to Dec. 31, 2018)

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	96,889	74,327	4,975	176,190	298	-	176,488
Inter-segment sales and transfers	25	-	820	846	216	(1,061)	-
Total	96,914	74,327	5,795	177,036	514	(1,061)	176,488
Segment profit (loss)	5,874	1,092	814	7,780	(69)	(965)	6,747

- Notes:
- Others represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, civil engineering materials sales and insurance agent businesses.
  - The adjustment of (965) million yen to segment profit (loss) includes 14 million yen in eliminations for inter-segment transactions and (978) 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 profit (loss) is 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

On May 14, 2018, Vietnam Italy Steel Joint Stock Company was made a consolidated subsidiary following the additional investment by Kyoei Steel. As a result, goodwill in the Overseas Steel Business segment increased by 3,663 million yen in the first nine months of FY2019.

Significant gain on bargain purchase

Not applicable.

## II. First nine months of FY2020 (from Apr. 1, 2019 to Dec. 31, 2019)

## 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	94,646	83,597	4,814	183,057	361	-	183,418
Inter-segment sales and transfers	63	-	730	793	362	(1,155)	-
Total	94,709	83,597	5,545	183,850	723	(1,155)	183,418
Segment profit	13,484	2,091	693	16,268	80	(1,019)	15,329

- Notes:
- Others represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, civil engineering materials sales and insurance agent businesses.
  - The adjustment of (1,019) million yen to segment profit includes (2) million yen in eliminations for inter-segment transactions and (1,017) 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 profit is 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

In the Overseas Steel Business segment, there was an impairment loss for non-current assets including goodwill at Vietnam Italy Steel Joint Stock Company, due to a decline in profitability. The amount of this loss in the first nine months of FY2020 was 4,481 million yen.

## Significant change in goodwill

In the Overseas Steel Business segment, Vietnam Italy Steel Joint Stock Company was made a consolidated subsidiary following the additional investment by Kyoei Steel in FY2019. The provisional accounting treatment related to the additional investment was finalized at the end of FY2019.

In line with the finalization of this provisional accounting treatment, the significant change in goodwill in the first nine months of FY2019 has been revised to reflect this revision.

In the Overseas Steel Business segment, goodwill decreased by 3,263 million yen as an impairment loss was recorded.

## 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.*