

Consolidated Financial Results for the of Fiscal Year Ended March 31, 2019 (Fiscal Year 2019)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd.

Stock exchange listed: Tokyo, 1st Section

Stock code: 5440

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

1. Consolidated Financial Results for Fiscal Year 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results (Percentages for net sales and profits 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	%
Fiscal Year 2019	242,257	26.7	9,200	116.0	8,646	111.7	6,505	86.7
Fiscal Year 2018	191,254	31.0	4,259	(46.6)	4,085	(48.5)	3,483	(27.2)

Note: Comprehensive income Fiscal Year 2019: 4,548 million yen (up 51.1%)

Fiscal Year 2018: 3,010 million yen (down 44.8%)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal Year 2019	149.78	-	4.6	3.5	3.8
Fiscal Year 2018	80.31	-	2.5	1.8	2.2

Reference: Equity in earnings (losses) of affiliates Fiscal Year 2019: 118 million yen Fiscal Year 2018: 21 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2019	261,590	153,781	54.8	3,299.82
Fiscal Year 2018	234,220	148,460	59.8	3,225.85

Reference: Shareholders' equity Fiscal Year 2019: 143,407 million yen Fiscal Year 2018: 140,010 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2019	4,367	(19,430)	11,081	26,407
Fiscal Year 2018	(8,634)	(7,270)	8,527	29,299

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2018	-	10.00	-	30.00	40.00	1,738	49.8	1.3
Fiscal Year 2019	-	10.00	-	30.00	40.00	1,738	26.7	1.2
Fiscal Year 2020 (Forecast)	-	10.00	-	30.00	40.00		24.8	

Note: Breakdown of the year-end dividend for the Fiscal Year 2018: Ordinary dividend of 20.00 yen

Commemorative dividend of 10.00 yen

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	Yen
First half	125,000	12.9	5,200	20.3	5,000	25.7	3,200	5.4		73.68
Full year	255,000	5.3	11,000	19.6	10,500	21.4	7,000	7.6		161.18

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (Vietnam Italy Steel Joint Stock Company) Excluded: None

(2) 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

(3) Number of outstanding shares (common shares)

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

Fiscal Year 2019: 44,898,730 shares Fiscal Year 2018: 44,898,730 shares

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

Fiscal Year 2019: 1,439,682 shares Fiscal Year 2018: 1,496,219 shares

3) Average number of shares outstanding during the period

Fiscal Year 2019: 43,428,543 shares Fiscal Year 2018: 43,373,817 shares

Note: Numbers of treasury shares include the Company's stock held by the Employee Stock Ownership Association Support Trust.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2019	109,959	21.8	7,093	375.3	7,774	259.2	5,230	97.0
Fiscal Year 2018	90,281	16.8	1,492	(73.4)	2,164	(66.1)	2,655	(42.5)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Fiscal Year 2019	120.43	-
Fiscal Year 2018	61.21	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2019	163,743	121,927	74.5	2,805.57
Fiscal Year 2018	148,002	118,782	80.3	2,736.75

Reference: Shareholders' equity Fiscal Year 2019: 121,927 million yen Fiscal Year 2018: 118,782 million yen

Reason for differences between non-consolidated financial results for Fiscal Years 2018 and 2019

The differences between sales and earnings in the past two fiscal years are mainly due to an increase in the selling prices for products in the Kyohei Steel's core domestic steel business, which was led by an increase in raw material prices and a big increase in the cost of manufacturing.

* The current financial report is not subject to audits 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. Overview of Results of Operations, etc., (1) Results of Operations" on page 2 of the attachments.

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1. Overview of Results of Operations, etc.

(1) Results of Operations

In the fiscal year ended March 31, 2019, the overall Japanese economy recovered slowly as improvements in corporate earnings, jobs and income continued. However, the outlook remained uncertain because of concerns about slowing global economic growth due to the effects of U.S.-China trade friction.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, demand was firm in the building construction and civil engineering markets. In addition, the price of steel scrap, which is the main raw material for the Kyoei Steel's products, remained at a high level, and although there was a gradual rise in the selling prices for the Group's products, the metal spread (the difference between the prices of steel products and steel scrap) which is a major source of the Group's earnings, widened. The overseas steel business performed well in the United States as the demand for steel products was strong. However, intense competition made the business climate challenging in Vietnam.

Consolidated net sales increased 51,003 million yen (26.7%) to 242,257 million yen. Operating profit increased 4,941 million yen (116.0%) to 9,200 million yen, ordinary profit increased 4,561 million yen (111.7%) to 8,646 million yen, and profit attributable to owners of parent increased 3,021 million yen (86.7%) to 6,505 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Reflecting the strong domestic demand for steel products, shipments increased 66,000 tons from one year earlier to 1,750,000 tons. The price of steel scrap rose by 3,000 yen per ton but product prices increased by 10,200 yen per ton due to efforts of raising product prices to reflect the higher cost. Therefore, the difference between the prices of steel products and steel scrap, widened by 7,100 yen per ton compared with one year earlier.

Segment sales increased 23,421 million yen (21.7%) to 131,252 million yen and operating profit increased 6,352 million yen (192.9%) to 9,644 million yen.

2) Overseas Steel Business

From the second half of the fiscal year, the profit and loss of the Vietnam Italy Steel Joint Stock Company (VIS), a consolidated subsidiary which operates a steel business in northern Vietnam, was included in the scope of consolidation.

In Vietnam, although demand for steel remains strong, the competitive environment became more severe due to the sustained increase in the scale of the production capacity of other companies in the same industry. As a result, the metal spread narrowed, resulting in a significant deterioration in business performance.

In the United States, the operating environment was favorable as prices of steel products increased. This was mainly the result of strong demand for steel and tight supplies of steel products caused by import tariff hikes due to U.S. trade protectionism.

Segment sales increased 27,014 million yen (35.1%) to 103,879 million yen and operating profit decreased 1,747 million yen (compared with operating profit of 1,456 million yen one year earlier) to a loss of 291 million yen.

3) Material Recycling Business

The performance of this business benefited from the receipt of orders with higher unit prices for difficult-to-process waste and from by expanding the processing volume for the recycling of new materials such as carbon fibers and automotive lithium ion batteries. Segment sales increased 446 million yen (7.2%) to 6,683 million yen and operating profit increased 324 million yen (37.4%) to 1,190 million yen.

4) Others

This category includes sales of civil engineering materials, an insurance agent business and other activities by a subsidiary. In addition, earnings of Thi Vai International Port Co., Ltd. (TVP), a harbor operating company in Vietnam, are included in the consolidated financial statements beginning with the current fiscal year. Sales increased 123 million yen (38.3%) to 443 million yen, but operating profit decreased 65 million yen (compared with operating profit of 25 million yen one year earlier) to a loss of 40 million yen.

In the fiscal year ending on March 31, 2020, the Group expects that, in the domestic steel business, demand for steel products from the construction and civil engineering will remain steady. Despite some fluctuation into a higher-price range, the overall price of steel scrap, the primary raw material, is expected to remain at a lower level than in the current fiscal year but, conversely, the prices for subsidiary materials such as electrodes and ferroalloys are still rising, and transportation costs are also increasing. Consequently, the Group expects that, just as in the fiscal year ended, costs will continue to increase. To cope with rising costs the Group will strive to implement cost-reduction measures such as streamlining its operations and promoting labor-saving initiatives.

In the overseas steel business, although continued strong demand is expected in Vietnam, a severe operating environment is also anticipated due to intensifying competition. The Group will work to reduce costs by stabilizing the operations and improving the efficiency of the steelmaking process at Vina Kyoei Steel Ltd. (VKS) in southern Vietnam, in cooperation with TVP. In the northern part of the country, the Group aims to restore business performance by enhancing the synergistic effects between the Kyoei Steel Vietnam Co., Ltd. (KSVC) and VIS. In the United States, a steady trend is expected as a result of strong trends in demand for steel products.

In the fiscal year ending on March 31, 2020, the Group forecasts consolidated net sales of 255,000 million yen, operating profit of 11,000 million yen, ordinary profit of 10,500 million yen, and profit attributable to owners of parent of 7,000 million yen.

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

Current assets increased by 23,654 million yen, or 17.1%, from the end of the previous fiscal year to 161,916 million yen. This was attributable mainly to increases of 6,064 million yen in cash and deposits, 5,300 million yen in notes and accounts receivable-trade, 3,102 million yen in electronically recorded monetary claims-operating, 3,903 million yen in merchandise and finished goods, 3,272 million yen in raw materials and supplies, and 3,375 million yen in other under current assets.

Non-current assets increased by 3,716 million yen, or 3.9%, from the end of the previous fiscal year to 99,674 million yen. This was mainly attributable to increases of 3,514 million yen in buildings and structures, 3,394 million yen in goodwill, and a decrease of 3,110 million yen in investment securities.

Total assets increased by 27,370 million yen, or 11.7%, from the end of the previous fiscal year to 261,590 million yen.

(ii) Liabilities

Current liabilities increased by 14,671 million yen, or 22.5%, from the end of the previous fiscal year to 79,900 million yen. This was attributable mainly to increases of 4,242 million yen in electronically recorded obligations-operating and 11,069 million yen in short-term loans payable.

Non-current liabilities increased by 7,379 million yen, or 35.9%, from the end of the previous fiscal year to 27,909 million yen. This was attributable mainly to an increase of 7,250 million yen in long-term loans payable.

Total liabilities increased by 22,049 million yen, or 25.7%, from the end of the previous fiscal year to 107,809 million yen.

(iii) Net assets

Net assets increased by 5,321 million yen, or 3.6%, from the end of the previous fiscal year to 153,781 million yen. This was attributable mainly to a profit attributable to owners of parent of 6,505 million yen, dividends of surplus of 1,738 million yen, an increase of 1,924 million yen in non-controlling interests, a decrease of 640 million yen in valuation difference on available-for-sale securities, and a decrease of 455 million yen in foreign currency translation adjustment.

As a result, compared to the end of the previous fiscal year, net assets per share increased by 73.97 yen to 3,299.82 yen, and equity to total assets declined from 59.8% to 54.8%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 2,892 million yen from the end of the previous fiscal year to 26,407 million yen. The cash flow components during the fiscal year and the main reasons for changes are as described below.

(i) Cash flows from operating activities

Net cash provided by operating activities was 4,367 million yen. Major components were profit before income taxes of 8,444 million yen, depreciation of 7,476 million yen, a 5,405 million yen increase in notes and accounts receivable-trade, a 3,511 million yen increase in inventories, a 1,228 million yen decrease in notes and accounts payable-trade, and income taxes paid of 1,726 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities was 19,430 million yen. Major components were payments into time deposits of 17,887 million yen, proceeds from withdrawal of time deposits of 9,809 million yen, purchase of securities of 4,000 million yen, proceeds from sales of securities of 5,000 million yen, payments of loans receivable of 851 million yen, purchase of shares of subsidiaries resulting in change in scope of consolidation of 5,458 million yen, and purchase of property, plant and equipment of 5,626 million yen.

(iii) Cash flows from financing activities

Net cash provided by financing activities was 11,081 million yen. Major components include a net increase of 7,011 million yen in short-term loans payable, proceeds from long-term loans payable of 10,000 million yen, repayments of long-term loans payable of 3,270 million yen, cash dividends paid of 1,739 million yen, and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of 893 million yen.

Trends in cash flow indicators

Fiscal years ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Equity to total assets	64.2%	67.3%	64.6%	59.8%	54.8%
Equity to total assets based on market prices	43.7%	36.5%	40.2%	34.0%	26.2%
Interest-bearing debt to cash flow ratio	196.9%	192.4%	601.1%	-	1,585.8%
Interest coverage ratio	44.4x	29.0x	9.8x	-	2.5x

Notes: 1. The above figures are calculated as follows.

Equity to total assets: Shareholders' equity / Total assets

Equity to total assets based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

2. All indices are calculated based on consolidated figures.

3. Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares (including stock held by the Employee Stock Ownership Association Support Trust)

4. The interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for the fiscal year ended March 31, 2018 because operating cash flows were negative in this fiscal year.

(3) Basic Policy for Earnings Distributions and Dividends in the Current and Next Fiscal Years

We believe that increasing corporate value is the most effective means of distributing earnings to shareholders. As a result, our policy for dividends is to pay a reasonable dividend while retaining the earnings needed to achieve growth and make the entire group stronger from a long-term perspective. Our policy for determining the dividend is to maintain a consolidated payout ratio of 25% to 30% while paying an annual dividend of at least 30 yen per share.

As initially planned, we plan to pay a year-end dividend of 30 yen per share. Including the interim dividend of 10 yen, this will result in a dividend of 40 yen per share for this fiscal year.

For the fiscal year ending on March 31, 2020, we forecast a dividend of 40 yen per share, the sum of an interim dividend of 10 yen and a year-end dividend of 30 yen.

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2018 (as of Mar. 31, 2018)	FY2019 (as of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	36,069	42,133
Notes and accounts receivable-trade	43,545	48,845
Electronically recorded monetary claims-operating	11,752	14,854
Securities	5,400	4,400
Merchandise and finished goods	22,457	26,360
Raw materials and supplies	15,263	18,535
Other	3,914	7,289
Allowance for doubtful accounts	(139)	(500)
Total current assets	138,261	161,916
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,287	49,139
Accumulated depreciation	(25,773)	(28,111)
Buildings and structures, net	17,514	21,028
Machinery, equipment and vehicles	111,332	116,646
Accumulated depreciation	(76,514)	(81,666)
Machinery, equipment and vehicles, net	34,818	34,980
Land	24,122	24,249
Construction in progress	295	628
Other	2,536	2,812
Accumulated depreciation	(1,858)	(2,080)
Other, net	678	732
Total property, plant and equipment	77,428	81,617
Intangible assets		
Goodwill	550	3,944
Other	1,930	2,565
Total intangible assets	2,480	6,508
Investments and other assets		
Investment securities	11,231	8,120
Long-term loans receivable	506	475
Retirement benefit asset	304	275
Deferred tax assets	401	731
Other	3,675	2,012
Allowance for doubtful accounts	(66)	(64)
Total investments and other assets	16,051	11,549
Total non-current assets	95,958	99,674
Total assets	234,220	261,590

(Unit: millions of yen)

	FY2018 (as of Mar. 31, 2018)	FY2019 (as of Mar. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,251	17,816
Electronically recorded obligations-operating	432	4,673
Short-term loans payable	29,788	40,857
Current portion of long-term loans payable	2,971	3,861
Income taxes payable	846	2,053
Provision for bonuses	709	718
Provision for bonuses for directors (and other officers)	20	2
Other	9,214	9,920
Total current liabilities	65,229	79,900
Non-current liabilities		
Long-term loans payable	16,820	24,069
Deferred tax liabilities	456	730
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for retirement benefits for directors (and other officers)	11	12
Retirement benefit liability	70	74
Other	741	591
Total non-current liabilities	20,530	27,909
Total liabilities	85,760	107,809
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,141
Retained earnings	93,909	98,550
Treasury shares	(1,809)	(1,700)
Total shareholders' equity	132,109	136,507
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,425	785
Deferred gains or losses on hedges	(48)	32
Revaluation reserve for land	4,618	4,625
Foreign currency translation adjustment	1,706	1,251
Remeasurements of defined benefit plans	201	206
Total accumulated other comprehensive income	7,901	6,900
Non-controlling interests	8,450	10,374
Total net assets	148,460	153,781
Total liabilities and net assets	234,220	261,590

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statements of Income)**

(Unit: millions of yen)

	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)	FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)
Net sales	191,254	242,257
Cost of sales	174,782	218,783
Gross profit	16,473	23,474
Selling, general and administrative expenses	12,214	14,274
Operating profit	4,259	9,200
Non-operating income		
Interest income	494	613
Dividend income	266	157
Share of profit of entities accounted for using equity method	21	118
Other	329	376
Total non-operating income	1,110	1,265
Non-operating expenses		
Interest expenses	1,144	1,707
Sales discounts	29	29
Foreign exchange losses	16	33
Other	96	50
Total non-operating expenses	1,285	1,819
Ordinary profit	4,085	8,646
Extraordinary income		
Gain on sales and retirement of non-current assets	27	38
Gain on sales of investment securities	1,981	0
Gain on step acquisitions	-	549
Insurance income	-	312
Other	165	-
Total extraordinary income	2,174	899
Extraordinary losses		
Loss on sales and retirement of non-current assets	337	368
Loss on sales of investment securities	293	136
Impairment loss	-	342
Loss on accident	158	-
Loss on disaster	-	184
Other	21	72
Total extraordinary losses	809	1,101
Profit before income taxes	5,449	8,444
Income taxes - current	1,599	2,932
Income taxes - deferred	(11)	(165)
Total income taxes	1,587	2,768
Profit	3,862	5,677
Profit (loss) attributable to non-controlling interests	378	(828)
Profit attributable to owners of parent	3,483	6,505

(Consolidated Statements of Comprehensive Income)

(Unit: millions of yen)

	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)	FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)
Profit	3,862	5,677
Other comprehensive income		
Valuation difference on available-for-sale securities	(527)	(640)
Deferred gains or losses on hedges	(79)	57
Foreign currency translation adjustment	(444)	(552)
Remeasurements of defined benefit plans, net of tax	198	6
Total other comprehensive income	(852)	(1,129)
Comprehensive income	3,010	4,548
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,843	5,639
Comprehensive income attributable to non-controlling interests	167	(1,091)

(3) Consolidated Statements of Changes in Equity

FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,516	21,493	91,730	(1,915)	129,823
Changes of items during period					
Dividends of surplus			(1,304)		(1,304)
Profit attributable to owners of parent			3,483		3,483
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				107	107
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,180	107	2,286
Balance at end of current period	18,516	21,493	93,909	(1,809)	132,109

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,952	40	4,618	1,930	2	8,542	8,298	146,662
Changes of items during period								
Dividends of surplus								(1,304)
Profit attributable to owners of parent								3,483
Purchase of treasury shares								(0)
Disposal of treasury shares								107
Net changes of items other than shareholders' equity	(527)	(88)	-	(224)	198	(640)	152	(489)
Total changes of items during period	(527)	(88)	-	(224)	198	(640)	152	1,797
Balance at end of current period	1,425	(48)	4,618	1,706	201	7,901	8,450	148,460

FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,516	21,493	93,909	(1,809)	132,109
Changes of items during period					
Dividends of surplus			(1,738)		(1,738)
Profit attributable to owners of parent			6,505		6,505
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				109	109
Change of scope of consolidation		14	(118)		(104)
Change in ownership interest of parent due to transactions with non-controlling interests		(367)			(367)
Reversal of revaluation reserve for land			(7)		(7)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(352)	4,641	109	4,398
Balance at end of current period	18,516	21,141	98,550	(1,700)	136,507

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,425	(48)	4,618	1,706	201	7,901	8,450	148,460
Changes of items during period								
Dividends of surplus								(1,738)
Profit attributable to owners of parent								6,505
Purchase of treasury shares								(0)
Disposal of treasury shares								109
Change of scope of consolidation								(104)
Change in ownership interest of parent due to transactions with non-controlling interests								(367)
Reversal of revaluation reserve for land								(7)
Net changes of items other than shareholders' equity	(640)	80	7	(455)	6	(1,001)	1,924	923
Total changes of items during period	(640)	80	7	(455)	6	(1,001)	1,924	5,321
Balance at end of current period	785	32	4,625	1,251	206	6,900	10,374	153,781

(4) Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)	FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	5,449	8,444
Depreciation	6,663	7,476
Impairment loss	-	342
Amortization of goodwill	136	257
Increase (decrease) in provision	(53)	(117)
Increase (decrease) in retirement benefit liability	62	47
Share of loss (profit) of entities accounted for using equity method	(21)	(118)
Loss (gain) on sales of investment securities	(1,688)	136
Loss (gain) on sales and retirement of non-current assets	310	329
Insurance income	-	(312)
Loss on accident	158	-
Loss on disaster	-	184
Loss (gain) on step acquisitions	-	(549)
Interest and dividend income	(760)	(771)
Interest expenses	1,144	1,707
Decrease (increase) in notes and accounts receivable-trade	(19,893)	(5,405)
Decrease (increase) in inventories	(8,829)	(3,511)
Increase (decrease) in notes and accounts payable-trade	9,753	(1,228)
Increase (decrease) in accrued consumption taxes	126	945
Decrease (increase) in retirement benefit asset	89	(5)
Other, net	838	(1,172)
Subtotal	(6,515)	6,676
Interest and dividend income received	779	774
Interest expenses paid	(1,120)	(1,745)
Payments for loss on accident	(153)	-
Payments for loss on disaster	-	(6)
Proceeds from insurance income	-	393
Income taxes paid	(1,626)	(1,726)
Net cash provided by (used in) operating activities	(8,634)	4,367
Cash flows from investing activities		
Payments into time deposits	(18,929)	(17,887)
Proceeds from withdrawal of time deposits	15,675	9,809
Purchase of securities and other	(6,000)	(4,000)
Proceeds from sales of securities and other	8,000	5,000
Purchase of investment securities	(1,956)	(2)
Proceeds from sales and redemption of investment securities	3,114	220
Payments of deposit	(79)	(2,751)
Proceeds from withdrawal deposit	83	2,714
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(5,458)
Purchase of shares of subsidiaries	(347)	-
Purchase of investments in capital of subsidiaries	-	(146)
Proceeds from sales of investments in capital of subsidiaries	283	-
Payments of loans receivable	(704)	(851)
Collection of loans receivable	35	58
Purchase of property, plant and equipment	(5,282)	(5,626)
Proceeds from sales of property, plant and equipment	57	50
Purchase of intangible assets	(796)	(230)
Other, net	(421)	(330)
Net cash provided by (used in) investing activities	(7,270)	(19,430)

(Unit: millions of yen)

	FY2018	FY2019
	(from Apr. 1, 2017 to Mar. 31, 2018)	(from Apr. 1, 2018 to Mar. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,080	7,011
Proceeds from long-term loans payable	6,760	10,000
Repayments of long-term loans payable	(3,060)	(3,270)
Repayments of installment payables	(40)	(41)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	107	109
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(893)
Cash dividends paid	(1,305)	(1,739)
Dividends paid to non-controlling interests	(15)	(11)
Other, net	-	(85)
Net cash provided by (used in) financing activities	8,527	11,081
Effect of exchange rate change on cash and cash equivalents	(63)	(198)
Net increase (decrease) in cash and cash equivalents	(7,441)	(4,180)
Cash and cash equivalents at beginning of period	36,740	29,299
Increase in cash and cash equivalents from newly consolidated subsidiary	-	1,288
Cash and cash equivalents at end of period	29,299	26,407

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

Not applicable.

Reclassifications**Consolidated Balance Sheets**

1. “Goodwill,” which was included in “Intangible assets” in the previous fiscal year, is reclassified and presented as a separate item in the current fiscal year since the amount is more than 1/100 of total assets. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Intangible assets” of 2,480 million yen in the previous fiscal year’s consolidated balance sheet has been reclassified as “Goodwill” of 550 million yen and “Other” of 1,930 million yen.

2. “Electronically recorded obligations-operating,” which was included in “Notes and accounts payable-trade” under “Current liabilities” in the previous fiscal year, is reclassified and presented as a separate item in the current fiscal year since it has increased the monetary materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Notes and accounts payable-trade” of 21,682 million yen presented under “Current liabilities” in the previous fiscal year’s consolidated balance sheet has been reclassified as “Notes and accounts payable-trade” of 21,251 million yen and “Electronically recorded obligations-operating” of 432 million yen.

Changes caused by the early application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

The effect of this change was to decrease “Deferred tax assets” under “Current assets” by 440 million yen, and to increase “Deferred tax assets” under “Investments and other assets” by 103 million yen, and to decrease “Deferred tax liabilities” under “Non-current liabilities” by 337 million yen in the consolidated balance sheet for the previous fiscal year.

Net figures are used for deferred tax assets and deferred tax liabilities for the same taxing authority. This change reduced total assets by 337 million yen.

Additional Information

Transactions of Delivering the Company’s Own Stock to Employee Stock Ownership Association through Trusts

The Company’s Employee Stock Ownership Association Support Trust ESOP (the “ESOP Trust”) was completed as of January 31, 2019. The Company had established this trust for the purpose of providing an incentive for contributing to the medium and long-term growth of corporate value. By distributing stock to group employees, the Company had aimed to increase their motivation as well as encourage the use of the employee stock ownership association and the stable accumulation of their assets.

1. Overview of transaction

The ESOP Trust is a scheme to encourage employees to own their company’s stock that is similar to a U.S. ESOP but structured to comply with laws and regulations in Japan. Combining an employee stock ownership association with a trust makes it possible for the trust fund to purchase at once all of the stock that the employee stock ownership association will require in the future. Furthermore, this scheme can enhance benefits for employees, heighten their motivation and provide other advantages.

The Company has established a trust in which the beneficiaries are employees who belong to the Kyoei Group Employee Stock Ownership Association (the “Association”) and who fulfill certain requirements. The trust purchases during a period specified in advance an amount of the Company stock that the Association is expected to purchase during the trust’s existence. After purchasing this stock, the trust sells stock to the Association each month on the designated day. Upon completion of the trust, if there is trust income resulting from an increase in the price of the Company stock, this income will be distributed to the beneficiaries (employees) in proportion to the number of shares purchased during the period. If there is a loss on the transfer of stock resulting from a decrease in the price of the Company stock, resulting in a liability concerning trust assets, then in accordance with the guarantee terms of a non-recourse loan contract, the Company will make a reimbursement to the bank in a lump-sum so that there is no additional financial burden on employees.

2. The Company’s stock held by the trust

The Company’s stock held by the trust is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company’s stock held by the trust was 57,000 shares with a book value of 109 million yen as of March 31, 2018. There was no Company stock held by the trust as of March 31, 2019 because of the completion of the trust.

3. Book value of loans recorded due to use of the gross price method

106 million yen as of March 31, 2018. No loans were recorded as of March 31, 2019 because of the completion of the trust.

Segment Information

1. Overview of reportable segments

Segments used for financial reporting are the Group’s constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Each business unit determines its own comprehensive strategies and has devised for products and services in both domestic and overseas markets.

Consequently, the Group has three reportable business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business.

In the Domestic Steel Business, the Group manufactures and sells steel products, mainly for domestic building construction and civil engineering, and has a cargo transportation business. In the Overseas Steel Business, the Group manufactures and sells steel products, mainly for building construction and civil engineering overseas. In the Material Recycling Business, the Group performs intermediate and final processing of medical waste and industrial waste and has a recycled crushed stone business and other activities.

2. Calculation method for net sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments comply with accounting policies used for the preparation of the consolidated financial statements.

Earnings for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) in the current fiscal year. Figures for segment assets for FY2018 have been adjusted retrospectively in accordance with these amendments.

3. Information related to net sales, profit/loss, assets, and other items for each reportable segment

FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5)	Amounts shown on the consolidated financial statements (Note 6)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	107,831	76,866	6,237	190,933	321	-	191,254
Inter-segment sales and transfers	114	-	1,066	1,181	-	(1,181)	-
Total	107,945	76,866	7,303	192,114	321	(1,181)	191,254
Segment income	3,292	1,456	866	5,614	25	(1,379)	4,259
Segment assets	119,613	69,179	6,761	195,553	2,537	36,130	234,220
Other items							
Depreciation	3,459	2,876	226	6,561	10	92	6,663
Amortization of goodwill	-	136	-	136	-	-	136
Increase in property, plant and equipment and intangible assets	3,048	1,635	585	5,268	51	485	5,803

- 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 (1,379) million yen to segment income includes 18 million yen in eliminations for inter-segment transactions and (1,397) 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. The adjustment of 36,130 million yen to segment assets includes the Company's excess funds (cash and deposits, and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
4. The adjustment of 92 million yen to depreciation is related to the general and administrative operations of the Company's head office that cannot be attributed to reportable segments.
5. The adjustment of 485 million yen to an increase in property, plant and equipment and intangible assets is related to the general and administrative operations of the Company's head office that cannot be attributed to reportable segments.
6. Segment income is adjusted with operating profit shown on the consolidated financial statements.

FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5, 6)	Amounts shown on the consolidated financial statements (Note 7)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	131,252	103,879	6,683	241,814	443	-	242,257
Inter-segment sales and transfers	53	-	1,116	1,169	348	(1,517)	-
Total	131,305	103,879	7,799	242,983	791	(1,517)	242,257
Segment income (loss)	9,644	(291)	1,190	10,543	(40)	(1,303)	9,200
Segment assets	127,639	85,771	6,518	219,928	6,813	34,849	261,590
Other items							
Depreciation	3,577	3,225	288	7,090	193	193	7,476
Amortization of goodwill	-	257	-	257	-	-	257
Impairment loss	-	333	-	333	-	9	342
Increase in property, plant and equipment and intangible assets	3,311	1,573	239	5,123	188	196	5,507

- Notes: 1. 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.
2. The adjustment of (1,303) million yen to segment income (loss) includes 19 million yen in eliminations for inter-segment transactions and (1,322) 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. The adjustment of 34,849 million yen to segment assets includes the Company's excess funds (cash and deposits, and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
4. The adjustment of 193 million yen to depreciation is related to the general and administrative operations of the Company's head office that cannot be attributed to reportable segments.
5. The adjustment of 9 million yen to impairment loss is related to the general and administrative operations of the Company's head office that cannot be attributed to reportable segments.
6. The adjustment of 196 million yen to an increase in property, plant and equipment and intangible assets is related to the general and administrative operations of the Company's head office that cannot be attributed to reportable segments.
7. Segment income (loss) is adjusted with operating profit shown on the consolidated financial statements.

Per Share Information

(Unit: yen)

	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)	FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)
Net assets per share	3,225.85	3,299.82
Net income per share	80.31	149.78
	Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

Notes: Basis for calculation is as follows.

1. Net assets per share

	FY2018 (as of Mar. 31, 2018)	FY2019 (as of Mar. 31, 2019)
Total net assets (Millions of yen)	148,460	153,781
Deduction on total net assets (Millions of yen)	(8,450)	(10,374)
[of which non-controlling interests (Millions of yen)]	[(8,450)]	[(10,374)]
Net assets applicable to common shares (Millions of yen)	140,010	143,407
Number of common shares outstanding (Thousand shares)	44,899	44,899
Number of treasury shares (Thousand shares)	1,496	1,440
Number of common shares at end of period used in calculation of net assets per share (Thousand shares)	43,403	43,459

2. The Company's stock held by the Employee Stock Ownership Association Support Trust is included in treasury shares and is thus deducted from the number of shares outstanding at the end of each fiscal year that was used to calculate net assets per share. The number of shares of the Company's stock held by the trust was 57,000 shares as of March 31, 2018.

3. Net income per share

	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)	FY2019 (from Apr. 1, 2018 to Mar. 31, 2019)
Profit attributable to owners of parent (Millions of yen)	3,483	6,505
Amounts not available to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Millions of yen)	3,483	6,505
Average number of common shares outstanding during the period (Thousand shares)	43,374	43,429

4. The Company's stock held by the Employee Stock Ownership Association Support Trust is included in treasury shares and is thus deducted from the average number of shares outstanding during each fiscal year that was used to calculate net income per share. The average number of shares outstanding of the Company's stock held by the trust were 85,000 shares for FY2018 and 31,000 shares for FY2019.

Material Subsequent Events

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.