

Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2019 (Fiscal Year 2019)
(Three Months Ended June 30, 2018)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section
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 Scheduled date of filing of Quarterly Report (Japanese version only): August 10, 2018
 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, 2018 to June 30, 2018)
of Fiscal Year 2019

(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, 2018	50,826	17.5	2,179	27.1	2,139	28.5	1,985	88.4
Three months ended Jun. 30, 2017	43,251	17.6	1,715	(33.6)	1,665	(35.0)	1,054	(33.8)

Note: Comprehensive income Three months ended Jun. 30, 2018: 798 million yen (down 17.4%)
Three months ended Jun. 30, 2017: 966 million yen (up 104.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	45.74	-
Three months ended Jun. 30, 2017	24.31	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2018	252,035	150,616	55.4
As of Mar. 31, 2018	234,220	148,460	59.8

Reference: Shareholders' equity As of Jun. 30, 2018: 139,696 million yen As of Mar. 31, 2018: 140,010 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2018	-	10.00	-	30.00	40.00
Fiscal Year 2019	-	-	-	-	-
Fiscal Year 2019 (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 2019 (from April 1, 2018 to March 31, 2019)

(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	110,000	27.2	3,700	123.6	3,500	148.0	2,700	168.4	62.20
Full year	235,000	22.9	6,500	52.6	6,000	46.9	4,000	14.8	92.15

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

For more information, please refer to the press release dated today (July 31, 2018) 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): Yes

Newly added: 1 (Vietnam Italy Steel Joint Stock Company) 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, 2018:	44,898,730 shares	As of Mar. 31, 2018:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2018:	1,484,619 shares	As of Mar. 31, 2018:	1,496,219 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2018:	43,405,181 shares	Three months ended Jun. 30, 2017:	43,350,179 shares
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* 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.

Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheets**

(Unit: millions of yen)

	FY2018 (as of Mar. 31, 2018)	First quarter of FY2019 (as of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	36,069	33,943
Notes and accounts receivable-trade	43,545	45,213
Electronically recorded monetary claims-operating	11,752	13,362
Securities	5,400	4,600
Merchandise and finished goods	22,457	31,509
Raw materials and supplies	15,263	17,118
Other	3,914	6,745
Allowance for doubtful accounts	(139)	(617)
Total current assets	138,261	151,873
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,514	20,539
Machinery, equipment and vehicles, net	34,818	34,317
Land	24,122	24,105
Other, net	974	1,499
Total property, plant and equipment	77,428	80,460
Intangible assets		
Goodwill	550	5,574
Other	1,930	2,094
Total intangible assets	2,480	7,668
Investments and other assets		
Investment securities	11,231	9,110
Other	4,887	2,990
Allowance for doubtful accounts	(66)	(66)
Total investments and other assets	16,051	12,034
Total non-current assets	95,958	100,162
Total assets	234,220	252,035

(Unit: millions of yen)

	FY2018 (as of Mar. 31, 2018)	First quarter of FY2019 (as of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,682	23,342
Short-term loans payable	29,788	44,584
Current portion of long-term loans payable	2,971	2,943
Income taxes payable	846	537
Provision for bonuses	709	479
Provision for directors' bonuses	20	7
Other	9,214	9,085
Total current liabilities	65,229	80,977
Non-current liabilities		
Long-term loans payable	16,820	16,794
Deferred tax liabilities	456	453
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for directors' retirement benefits	11	11
Net defined benefit liability	70	139
Other	741	612
Total non-current liabilities	20,530	20,442
Total liabilities	85,760	101,419
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,507
Retained earnings	93,909	94,484
Treasury shares	(1,809)	(1,786)
Total shareholders' equity	132,109	132,721
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,425	1,265
Deferred gains or losses on hedges	(48)	86
Revaluation reserve for land	4,618	4,618
Foreign currency translation adjustment	1,706	804
Remeasurements of defined benefit plans	201	202
Total accumulated other comprehensive income	7,901	6,975
Non-controlling interests	8,450	10,919
Total net assets	148,460	150,616
Total liabilities and net assets	234,220	252,035

(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 FY2018 (from Apr. 1, 2017 to Jun. 30, 2017)	First three months of FY2019 (from Apr. 1, 2018 to Jun. 30, 2018)
Net sales	43,251	50,826
Cost of sales	38,532	45,164
Gross profit	4,719	5,662
Selling, general and administrative expenses	3,004	3,483
Operating profit	1,715	2,179
Non-operating income		
Interest income	73	130
Dividend income	126	89
Share of profit of entities accounted for using equity method	7	61
Foreign exchange gains	2	-
Other	62	67
Total non-operating income	270	347
Non-operating expenses		
Interest expenses	258	335
Foreign exchange losses	-	22
Other	62	29
Total non-operating expenses	320	386
Ordinary profit	1,665	2,139
Extraordinary income		
Gain on sales and retirement of non-current assets	2	5
Gain on step acquisitions	-	549
Other	-	47
Total extraordinary income	2	601
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	55
Loss on accident	167	-
Other	7	0
Total extraordinary losses	204	55
Profit before income taxes	1,464	2,685
Income taxes	329	625
Profit	1,135	2,060
Profit attributable to non-controlling interests	81	74
Profit attributable to owners of parent	1,054	1,985

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

(Unit: millions of yen)

	First three months of FY2018 (from Apr. 1, 2017 to Jun. 30, 2017)	First three months of FY2019 (from Apr. 1, 2018 to Jun. 30, 2018)
Profit	1,135	2,060
Other comprehensive income		
Valuation difference on available-for-sale securities	353	(160)
Foreign currency translation adjustment	(548)	(1,278)
Remeasurements of defined benefit plans, net of tax	21	1
Deferred gains or losses on hedges	6	174
Total other comprehensive income	(168)	(1,262)
Comprehensive income	966	798
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,155	1,202
Comprehensive income attributable to non-controlling interests	(189)	(404)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries during the Period

Vietnam Italy Steel Joint Stock Company, which was an equity-method affiliate in the previous fiscal year, was included in the scope of consolidation in the first quarter of the current fiscal year following the additional investment by Kyoei Steel.

Vietnam Italy Steel Joint Stock Company is considered as a specified subsidiary of Kyoei Steel.

Additional Information

Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

Kyoei Steel has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) in the first quarter 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.

Segment and Other Information

I. 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 profit	1,410	511	144	2,066	0	(352)	1,715

- 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 (352) million yen to segment profit 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.
 - 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

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.

II. First three months of FY2019 (from Apr. 1, 2018 to Jun. 30, 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	30,972	18,079	1,683	50,734	92	-	50,826
Inter-segment sales and transfers	1	-	338	339	58	(397)	-
Total	30,973	18,079	2,021	51,073	149	(397)	50,826
Segment profit (loss)	1,933	390	268	2,592	(34)	(379)	2,179

- 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 (379) million yen to segment profit (loss) includes 17 million yen in eliminations for inter-segment transactions and (396) 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 5,089 million yen in the first three months of FY2019. The amount of goodwill is calculated provisionally because the allocation of the acquisition cost is incomplete as of the end of the first quarter of FY2019.

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.