

Consolidated Financial Results for the of Fiscal Year Ended March 31, 2018 (Fiscal Year 2018)

<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 2018 (from April 1, 2017 to March 31, 2018)

(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 2018	191,254	31.0	4,259	(46.6)	4,085	(48.5)	3,483	(27.2)
Fiscal Year 2017	145,991	(9.3)	7,971	(42.2)	7,935	(44.0)	4,783	(43.5)

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

Fiscal Year 2017: 5,449 million yen (down 21.1%)

	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 2018	80.31	-	2.5	1.8	2.2
Fiscal Year 2017	110.41	-	3.5	3.8	5.5

Reference: Equity in earnings (losses) of affiliates Fiscal Year 2018: 21 million yen Fiscal Year 2017: 112 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 2018	234,557	148,460	59.7	3,225.85
Fiscal Year 2017	214,341	146,662	64.6	3,192.02

Reference: Shareholders' equity Fiscal Year 2018: 140,010 million yen Fiscal Year 2017: 138,364 million yen

(3) 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 2018	(8,634)	(7,270)	8,527	29,299
Fiscal Year 2017	6,889	(16,016)	6,572	36,740

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 2017	-	10.00	-	20.00	30.00	1,304	27.2	1.0
Fiscal Year 2018	-	10.00	-	30.00	40.00	1,738	49.8	1.3
Fiscal Year 2019 (Forecast)	-	10.00	-	20.00	30.00		32.5	

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 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	2,300	39.0	2,000	41.7	1,400	39.2	32.28
Full year	235,000	22.9	6,500	52.6	6,000	46.9	4,000	14.8	92.22

*** 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) 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 2018: 44,898,730 shares Fiscal Year 2017: 44,898,730 shares

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

Fiscal Year 2018: 1,496,219 shares Fiscal Year 2017: 1,551,786 shares

3) Average number of shares outstanding during the period

Fiscal Year 2018: 43,373,817 shares Fiscal Year 2017: 43,318,957 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 2018 (from April 1, 2017 to March 31, 2018)

(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 2018	90,281	16.8	1,492	(73.4)	2,164	(66.1)	2,655	(42.5)
Fiscal Year 2017	77,282	(16.9)	5,616	(44.4)	6,385	(40.8)	4,613	(22.4)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Fiscal Year 2018	61.21	-
Fiscal Year 2017	106.49	-

(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 2018	148,214	118,782	80.1	2,736.75
Fiscal Year 2017	138,996	117,746	84.7	2,716.36

Reference: Shareholders' equity Fiscal Year 2018: 118,782 million yen Fiscal Year 2017: 117,746 million yen

Reason for differences between non-consolidated financial results for Fiscal Years 2017 and 2018

The differences between sales and earnings in the past two fiscal years are mainly the result of an increase in raw material prices that exceeded increases in the selling prices of products in the domestic steel business, Kyoei Steel's core business, 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, 2018, the Japanese economy as a whole recovered slowly as improvements in corporate earnings and jobs continued. However, the outlook for the global economy remained uncertain because of U.S. trade protectionism and increasing geopolitical risk involving North Korea and other reasons.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, demand is recovering in the building construction and civil engineering markets and there was progress with raising prices of products. But the price of steel scrap, the main material for the Kyoei Steel Group's products, was consistently high. As a result, the metal spread (the difference between the prices of steel products and steel scrap), which is a major source of earnings, became smaller. Furthermore, there was a big increase in the cost of manufacturing products because of the higher cost of energy and rising prices of secondary raw materials and other items. In the overseas steel business, production volume and sales increased in Vietnam as demand for steel was supported by the country's rapid economic growth. In the United States, demand for steel was firm due to the healthy economy.

Consolidated net sales increased 45,264 million yen (31.0%) to 191,254 million yen. Operating profit decreased 3,712 million yen (46.6%) to 4,259 million yen, ordinary profit decreased 3,850 million yen (48.5%) to 4,085 million yen, and profit attributable to owners of parent decreased 1,300 million yen (27.2%) to 3,483 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Shipments increased 20,000 tons from one year earlier to 1.68 million tons because of a recovery trend in demand for steel construction materials in Japan. Although product prices rose by 8,000 yen per ton because of price hikes, the price of steel scrap increased by 8,800 yen per ton. Therefore, the difference between the prices of steel products and steel scrap, narrowed by 800 yen per ton compared with one year earlier. In addition, the cost of manufacturing increased significantly because of the higher cost of electricity and other forms of energy and of secondary materials such as electrodes, refractory materials and ferroalloys.

Segment sales increased 15,305 million yen (16.5%) to 107,831 million yen and operating profit decreased 4,025 million yen (55.0%) to 3,292 million yen.

2) Overseas Steel Business

Kyoei Steel has operations in Vietnam and the United States.

In Vietnam, strong growth in the demand for steel is continuing along with the country's economic growth. There are two companies in Vietnam, Vina Kyoei Steel Ltd. (VKS) in southern Vietnam and Kyoei Steel Vietnam Co., Ltd. (KSVC) in northern Vietnam. In fiscal 2018, the combined sales volume of these companies increased by 90,000 tons to 1.09 million tons. A major reason for this growth was the full-capacity operation of steelmaking (upstream processes) activities at VKS, which lead the production and sales to stay strong during the fiscal year. In the United States, the sales volume at Vinton Steel LLC was 200,000 tons and earnings were as planned.

Segment sales increased 30,218 million yen (64.8%) to 76,866 million yen and operating profit increased 425 million yen (41.3%) to 1,456 million yen.

3) Material Recycling Business

Despite activities aimed at receiving higher unit price orders for difficult-to-process waste, increasingly heated competition caused segment sales to decrease 267 million yen (4.1%) to 6,237 million yen and operating profit to fall 140 million yen (13.9%) to 866 million yen.

4) Others

This category includes mainly sales of civil engineering materials and insurance agent business by a subsidiary. Sales increased 7 million yen (2.1%) to 321 million yen and operating profit was up 35 million yen (compared with operating loss of 10 million yen one year earlier) to 25 million yen.

In the fiscal year ending on March 31, 2019, in the domestic steel business, the demand for steel products in Japan is expected to continue recovering in the building construction and civil engineering sectors. The main reason is large construction projects for the 2020 Tokyo Olympics and redevelopment projects in the Tokyo area. Although the price of steel scrap, the primary raw material, is expected to remain high, the difference between the prices of steel products and steel scrap will probably become greater because customers are beginning to accept product price increases. More increases are anticipated in the prices of electrodes, refractory materials, ferroalloys and other secondary materials as well as in the cost of cargo transportation. Due to the outlook for a substantial increase in the cost of manufacturing products, there will be many cost-reduction measures aimed at raising efficiency, reducing the need for labor and other improvements.

In the overseas steel business, to meet the strong demand for steel products in Vietnam, the steelmaking (upstream) operations of VKS in southern Vietnam will continue to run at full capacity and this company will take strategic actions for sales growth. In northern Vietnam, Kyoei Steel made an investment in November 2017 in Vietnam Italy Steel Joint Stock Company (VIS) and announced the decision on April 16, 2018 to make an additional investment in this company in May. These investments are expected to increase synergies between VIS and KSVC and reinforce the Kyoei Steel Group's position in the steel market of northern Vietnam. In the United States, Vinton Steel plans to benefit from the strong demand for steel products by operating even more efficiently while taking steps to raise output and sales.

Thi Vai International Port Co., Ltd., a harbor operating company located in southern Vietnam that started operations in January 2018, will be included in the consolidated financial statements for the first time in the fiscal year ending in March 2019.

VIS is included in the consolidated forecast based on earnings outlook information that is currently available.

In the fiscal year ending on March 31, 2019, the Group forecasts consolidated net sales of 235,000 million yen, operating profit of 6,500 million yen, ordinary profit of 6,000 million yen, and profit attributable to owners of parent of 4,000 million yen.

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

Current assets increased by 22,652 million yen, or 19.5%, from the end of the previous fiscal year to 138,702 million yen. This was attributable mainly to increases of 15,520 million yen in notes and accounts receivable-trade, 4,193 million yen in electronically recorded monetary claims-operating, 6,884 million yen in merchandise and finished goods, and a decrease of 3,377 million yen in cash and deposits.

Non-current assets decreased by 2,435 million yen, or 2.5%, from the end of the previous fiscal year to 95,855 million yen. This was mainly attributable to an increase of 490 million yen in intangible assets, and decreases of 2,523 million yen in machinery, equipment and vehicles, and 653 million yen in buildings and structures.

Total assets increased by 20,216 million yen, or 9.4%, from the end of the previous fiscal year to 234,557 million yen.

(ii) Liabilities

Current liabilities increased by 15,195 million yen, or 30.4%, from the end of the previous fiscal year to 65,229 million yen. This was attributable mainly to increases of 9,715 million yen in notes and accounts payable-trade, and 5,399 million yen in short-term loans payable.

Non-current liabilities increased by 3,223 million yen, or 18.3%, from the end of the previous fiscal year to 20,868 million yen. This was attributable mainly to an increase of 3,393 million yen in long-term loans payable and a decrease of 126 million yen in deferred tax liabilities.

Total liabilities increased by 18,419 million yen, or 27.2%, from the end of the previous fiscal year to 86,097 million yen.

(iii) Net assets

Net assets increased by 1,797 million yen, or 1.2%, from the end of the previous fiscal year to 148,460 million yen. This was attributable mainly to a profit attributable to owners of parent of 3,483 million yen, dividends of surplus of 1,304 million yen, and a decrease of 527 million yen in valuation difference on available-for-sale securities.

As a result, compared to the end of the previous fiscal year, net assets per share increased by 33.83 yen to 3,225.85 yen, and equity to total assets declined from 64.6% to 59.7%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 7,441 million yen from the end of the previous fiscal year to 29,299 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 used in operating activities was 8,634 million yen. Major components were profit before income taxes of 5,449 million yen, depreciation of 6,663 million yen, increases of 19,893 million yen in notes and accounts receivable-trade, 9,753 million yen in notes and accounts payable-trade, 8,829 million yen in inventories, 126 million yen in accrued consumption taxes, and income taxes paid of 1,626 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities was 7,270 million yen. Major components were payments into time deposits of 18,929 million yen, proceeds from withdrawal of time deposits of 15,675 million yen, purchase of investment securities of 1,956 million yen, proceeds from sales and redemption of investment securities of 3,114 million yen, and purchase of property, plant and equipment of 5,282 million yen.

(iii) Cash flows from financing activities

Net cash provided by financing activities was 8,527 million yen. Major components include a net increase of 6,080 million yen in short-term loans payable, proceeds from long-term loans payable of 6,760 million yen, repayments of long-term loans payable of 3,060 million yen, and cash dividends paid of 1,305 million yen.

Trends in cash flow indicators

Fiscal years ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Equity to total assets	67.3%	64.2%	67.3%	64.6%	59.7%
Equity to total assets based on market prices	44.0%	43.7%	36.5%	40.2%	33.9%
Interest-bearing debt to cash flow ratio	-	196.9%	192.4%	601.1%	-
Interest coverage ratio	-	44.4x	29.0x	9.8x	-

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 years ended March 31, 2014, and 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, the sum of a 20 yen ordinary dividend and a 10 yen commemorative dividend for the 70th anniversary of our establishment. 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, 2019, we forecast a dividend of 30 yen per share, the sum of an interim dividend of 10 yen and a year-end dividend of 20 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)

	FY2017 (as of Mar. 31, 2017)	FY2018 (as of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	39,446	36,069
Notes and accounts receivable-trade	28,025	43,545
Electronically recorded monetary claims-operating	7,559	11,752
Securities	8,400	5,400
Merchandise and finished goods	15,573	22,457
Raw materials and supplies	13,652	15,263
Deferred tax assets	410	440
Other	3,099	3,914
Allowance for doubtful accounts	(115)	(139)
Total current assets	116,050	138,702
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,725	43,287
Accumulated depreciation	(24,557)	(25,773)
Buildings and structures, net	18,167	17,514
Machinery, equipment and vehicles	107,499	111,332
Accumulated depreciation	(70,158)	(76,514)
Machinery, equipment and vehicles, net	37,341	34,818
Land	23,993	24,122
Construction in progress	773	295
Other	2,342	2,536
Accumulated depreciation	(1,716)	(1,858)
Other, net	626	678
Total property, plant and equipment	80,900	77,428
Intangible assets	1,989	2,480
Investments and other assets		
Investment securities	11,116	11,231
Long-term loans receivable	407	506
Net defined benefit asset	176	304
Deferred tax assets	323	298
Other	3,443	3,675
Allowance for doubtful accounts	(64)	(66)
Total investments and other assets	15,401	15,948
Total non-current assets	98,291	95,855
Total assets	214,341	234,557

(Unit: millions of yen)

	FY2017 (as of Mar. 31, 2017)	FY2018 (as of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,967	21,682
Short-term loans payable	24,388	29,788
Current portion of long-term loans payable	3,041	2,971
Income taxes payable	949	846
Deferred tax liabilities	0	-
Provision for bonuses	701	709
Provision for directors' bonuses	110	20
Other	8,877	9,214
Total current liabilities	50,034	65,229
Non-current liabilities		
Long-term loans payable	13,427	16,820
Deferred tax liabilities	920	794
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for directors' retirement benefits	9	11
Net defined benefit liability	76	70
Other	779	741
Total non-current liabilities	17,644	20,868
Total liabilities	67,678	86,097
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	91,730	93,909
Treasury shares	(1,915)	(1,809)
Total shareholders' equity	129,823	132,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,952	1,425
Deferred gains or losses on hedges	40	(48)
Revaluation reserve for land	4,618	4,618
Foreign currency translation adjustment	1,930	1,706
Remeasurements of defined benefit plans	2	201
Total accumulated other comprehensive income	8,542	7,901
Non-controlling interests	8,298	8,450
Total net assets	146,662	148,460
Total liabilities and net assets	214,341	234,557

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

(Unit: millions of yen)

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Net sales	145,991	191,254
Cost of sales	127,265	174,782
Gross profit	18,726	16,473
Selling, general and administrative expenses	10,755	12,214
Operating profit	7,971	4,259
Non-operating income		
Interest income	288	494
Dividend income	222	266
Share of profit of entities accounted for using equity method	112	21
Other	257	329
Total non-operating income	880	1,110
Non-operating expenses		
Interest expenses	723	1,144
Sales discounts	25	29
Foreign exchange losses	80	16
Other	88	96
Total non-operating expenses	916	1,285
Ordinary profit	7,935	4,085
Extraordinary income		
Gain on sales and retirement of non-current assets	566	27
Gain on sales of investment securities	-	1,981
Other	19	165
Total extraordinary income	585	2,174
Extraordinary losses		
Loss on sales and retirement of non-current assets	520	337
Loss on sales of investment securities	94	293
Loss on accident	25	158
Loss on liquidation of business	120	-
Other	62	21
Total extraordinary losses	821	809
Profit before income taxes	7,698	5,449
Income taxes-current	1,836	1,599
Income taxes-deferred	722	(11)
Total income taxes	2,558	1,587
Profit	5,141	3,862
Profit attributable to non-controlling interests	358	378
Profit attributable to owners of parent	4,783	3,483

(Consolidated Statements of Comprehensive Income)

(Unit: millions of yen)

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Profit	5,141	3,862
Other comprehensive income		
Valuation difference on available-for-sale securities	640	(527)
Deferred gains or losses on hedges	88	(79)
Foreign currency translation adjustment	(580)	(444)
Remeasurements of defined benefit plans, net of tax	161	198
Total other comprehensive income	308	(852)
Comprehensive income	5,449	3,010
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,325	2,843
Comprehensive income attributable to non-controlling interests	124	167

(3) Consolidated Statements of Changes in Equity

FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)

(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	88,546	(2,025)	126,529
Changes of items during period					
Dividends of surplus			(1,956)		(1,956)
Profit attributable to owners of parent			4,783		4,783
Reversal of revaluation reserve for land			356		356
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				110	110
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,184	110	3,294
Balance at end of current period	18,516	21,493	91,730	(1,915)	129,823

	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	1,312	-	4,974	2,229	(159)	8,356	8,204	143,089
Changes of items during period								
Dividends of surplus								(1,956)
Profit attributable to owners of parent								4,783
Reversal of revaluation reserve for land								356
Purchase of treasury shares								(0)
Disposal of treasury shares								110
Net changes of items other than shareholders' equity	640	40	(356)	(299)	161	185	94	280
Total changes of items during period	640	40	(356)	(299)	161	185	94	3,573
Balance at end of current period	1,952	40	4,618	1,930	2	8,542	8,298	146,662

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

(4) Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	7,698	5,449
Depreciation	5,961	6,663
Amortization of goodwill	-	136
Increase (decrease) in provision	(151)	(53)
Increase (decrease) in net defined benefit liability	(11)	62
Share of (profit) loss of entities accounted for using equity method	(112)	(21)
Loss (gain) on sales of investment securities	94	(1,688)
Loss (gain) on sales and retirement of non-current assets	(46)	310
Loss on accident	25	158
Interest and dividend income	(510)	(760)
Interest expenses	723	1,144
Decrease (increase) in notes and accounts receivable-trade	(2,685)	(19,893)
Decrease (increase) in inventories	(2,747)	(8,829)
Increase (decrease) in notes and accounts payable-trade	2,150	9,753
Increase (decrease) in accrued consumption taxes	(651)	126
Decrease (increase) in net defined benefit asset	138	89
Other, net	75	838
Subtotal	9,951	(6,515)
Interest and dividend income received	612	779
Interest expenses paid	(706)	(1,120)
Payments for loss on accident	-	(153)
Income taxes paid	(2,968)	(1,626)
Net cash provided by (used in) operating activities	6,889	(8,634)
Cash flows from investing activities		
Payments into time deposits	(5,965)	(18,929)
Proceeds from withdrawal of time deposits	710	15,675
Purchase of securities and other	(13,716)	(6,000)
Proceeds from sales of securities and other	13,516	8,000
Purchase of investment securities	(250)	(1,956)
Proceeds from sales and redemption of investment securities	754	3,114
Payments of deposit	(1,204)	(79)
Proceeds from withdrawal deposit	1,101	83
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,612)	-
Purchase of shares of subsidiaries	(110)	(347)
Purchase of investments in capital of subsidiaries	(252)	-
Proceeds from sales of investments in capital of subsidiaries	-	283
Payments of loans receivable	(279)	(704)
Collection of loans receivable	118	35
Purchase of property, plant and equipment	(6,724)	(5,282)
Proceeds from sales of property, plant and equipment	2,343	57
Purchase of intangible assets	(225)	(796)
Other, net	(222)	(421)
Net cash provided by (used in) investing activities	(16,016)	(7,270)

(Unit: millions of yen)

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,975	6,080
Proceeds from long-term loans payable	-	6,760
Repayments of long-term loans payable	(2,520)	(3,060)
Repayments of installment payables	(7)	(40)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	110	107
Cash dividends paid	(1,956)	(1,305)
Dividends paid to non-controlling interests	(30)	(15)
Net cash provided by (used in) financing activities	6,572	8,527
Effect of exchange rate change on cash and cash equivalents	(302)	(63)
Net increase (decrease) in cash and cash equivalents	(2,857)	(7,441)
Cash and cash equivalents at beginning of period	39,596	36,740
Cash and cash equivalents at end of period	36,740	29,299

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

Not applicable.

Reclassifications**Consolidated Balance Sheets**

“Electronically recorded monetary claims-operating” which was included in “Notes and accounts receivable-trade” under “Current assets” 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 financial statements for the previous fiscal year are reclassified.

As a result, “Notes and accounts receivable-trade” of 35,584 million yen presented under “Current assets” in the previous fiscal year’s consolidated balance sheet has been reclassified as “Notes and accounts receivable-trade” of 28,025 million yen and “Electronically recorded monetary claims-operating” of 7,559 million yen.

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

1. Overview of transaction

The Company has an Employee Stock Ownership Association Support Trust ESOP (the “ESOP 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 aims to increase their motivation as well as encourage the use of the employee stock ownership association and the stable accumulation of their assets.

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 were 112,000 shares with a book value of 216 million yen as of March 31, 2017 and 57,000 shares with a book value of 109 million yen as of March 31, 2018.

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

212 million yen as of March 31, 2017 and 106 million yen as of March 31, 2018.

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.

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

FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)

(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	92,525	46,648	6,504	145,677	314	-	145,991
Inter-segment sales and transfers	176	-	1,265	1,441	-	(1,441)	-
Total	92,702	46,648	7,769	147,118	314	(1,441)	145,991
Segment income	7,317	1,031	1,006	9,353	(10)	(1,373)	7,971
Segment assets	103,581	57,245	6,094	166,920	2,672	44,749	214,341
Other items							
Depreciation	3,367	2,303	216	5,885	13	62	5,961
Increase in property, plant and equipment and intangible assets	5,514	1,279	261	7,053	1	207	7,262

- 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 (1,373) million yen to segment income includes (138) million yen in eliminations for inter-segment transactions and (1,234) 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 44,749 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 62 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 207 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 to be consistent with operating profit shown on the consolidated financial statements.

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	119,621	69,179	6,770	195,569	2,559	36,429	234,557
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 36,429 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 to be consistent with operating profit shown on the consolidated financial statements.

Per Share Information

(Unit: yen)

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Net assets per share	3,192.02	3,225.85
Net income per share	110.41	80.31
	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

	FY2017 (as of Mar. 31, 2017)	FY2018 (as of Mar. 31, 2018)
Total net assets (Millions of yen)	146,662	148,460
Deduction on total net assets (Millions of yen)	(8,298)	(8,450)
[of which non-controlling interests (Millions of yen)]	[(8,298)]	[(8,450)]
Net assets applicable to common shares (Millions of yen)	138,364	140,010
Number of common shares outstanding (Thousand shares)	44,899	44,899
Number of treasury shares (Thousand shares)	1,552	1,496
Number of common shares at end of period used in calculation of net assets per share (Thousand shares)	43,347	43,403

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 issued 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 were 112,000 shares as of March 31, 2017 and 57,000 shares as of March 31, 2018.

3. Net income per share

	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)	FY2018 (from Apr. 1, 2017 to Mar. 31, 2018)
Profit attributable to owners of parent (Millions of yen)	4,783	3,483
Amounts not available to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Millions of yen)	4,783	3,483
Average number of common shares outstanding during the period (Thousand shares)	43,319	43,374

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 of the Company's stock held by the trust were 140,000 shares for FY2017 and 85,000 shares for FY2018.

Material Subsequent Events

Business combination through acquisition

The Kyoei Steel Board of Directors approved a resolution on April 16, 2018 to purchase the stock of Vietnam Italy Steel Joint Stock Company (VIS) and signed a contract to purchase this stock on the same day. VIS manufactures and sells steel in northern Vietnam.

1. Objectives of acquisition of stock

“More progress in the overseas steel business” is one of the main elements of Kyoei Steel’s growth strategy. Vietnam is one of the major components of this business. On November 6, 2017, Kyoei Steel announced an equity investment in VIS. Subsequently, the decision was made to increase this investment for the purpose of making the Kyoei Steel Group even more competitive in the steel market of northern Vietnam.

Just as when the Kyoei Steel purchased VIS stock in November 2017, Kyoei Steel will purchase VIS stock from its major shareholder Thai Hung Trading Joint Stock Company. The additional purchase of VIS stock at a cost of approximately 5.4 billion yen (see note) is expected to raise Kyoei Steel’s ownership of VIS to 65.0%.

Ownership of VIS is expected to increase synergies between VIS and Kyoei Steel Vietnam Co., Ltd. (KSVC) and reinforce the Kyoei Steel Group’s position in the steel market of northern Vietnam.

Note: Calculated at VND 1 = JPY 0.0047

2. Overview of Vietnam Italy Steel Joint Stock Company

(1) Corporate Name: Vietnam Italy Steel Joint Stock Company

(2) Location: Hung Yen, Vietnam

(3) Representative: Nguyen Thanh Ha, CEO

(4) Business activities: Manufacture and sale of finished steel products (steel bars / wire rods), and semi-finished products

(5) Capital: 738.3 billion VND (3,470 million yen)

(6) Sales: 6,105.1 billion VND (30,477 million yen) (fiscal year ended December 2017)

(7) Total assets: 2,990.3 billion VND (14,928 million yen) (fiscal year ended December 2017)

(8) Production capacity: Steelmaking 450,000 ton/year (Hai Phong Mill),
Rolling 300,000 ton/year (Hung Yen Mill)

3. Date of acquisition of stock

May 14, 2018 (tentative)

4. Kyoei Steel ownership of Vietnam Italy Steel Joint Stock Company after this investment

(1) Shares held before investment: 14,767,000 (equity ownership: 20.0%)

(2) Number of shares to be acquired: 33,223,677 shares

(3) Acquisition cost: Approx. 5.4 billion yen, including advisory fees and other costs

(4) Shares held after investment: 47,990,677 (equity ownership: 65.0%)

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.