

Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2018 (Fiscal Year 2018)
(Six Months Ended September 30, 2017)

<Under Japanese GAAP>

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 Scheduled date of filing of Quarterly Report (Japanese version only): November 13, 2017
 Scheduled date of payment of dividend: December 8, 2017
 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 Second Quarter (from April 1, 2017 to September 30, 2017)
of Fiscal Year 2018

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2017	86,506	21.5	1,654	(68.8)	1,411	(73.3)	1,006	(67.4)
Six months ended Sep. 30, 2016	71,178	(14.6)	5,294	(25.1)	5,290	(27.3)	3,082	(31.5)

Note: Comprehensive income Six months ended Sep. 30, 2017: 691 million yen (down 46.8%)
 Six months ended Sep. 30, 2016: 1,299 million yen (down 70.2%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	23.20	-
Six months ended Sep. 30, 2016	71.16	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Sep. 30, 2017	221,128	146,527	62.8
As of Mar. 31, 2017	214,341	146,662	64.6

Reference: Shareholders' equity As of Sep. 30, 2017: 138,878 million yen As of Mar. 31, 2017: 138,364 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2017	-	10.00	-	20.00	30.00
Fiscal Year 2018	-	10.00	-	-	-
Fiscal Year 2018 (Forecast)	-	-	-	30.00	40.00

Note: Revisions to the most recently announced dividend forecast: Yes

Breakdown of the year-end dividend for the Fiscal Year 2018 (Forecast): Ordinary dividend of 20.00 yen
 Commemorative dividend of 10.00 yen

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	189,000	29.5	5,200	(34.8)	4,700	(40.8)	3,000	(37.3)	69.19

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

*** Notes**

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

Newly added: None

Excluded: None

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: 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 Sep. 30, 2017:	44,898,730 shares	As of Mar. 31, 2017:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2017:	1,521,786 shares	As of Mar. 31, 2017:	1,551,786 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	43,359,192 shares	Six months ended Sep. 30, 2016:	43,304,001 shares
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* The current quarterly financial report is not subject to quarterly review procedures.

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

Forecasts of future performance in this report are based on information available at the date of publication for this document and certain assumptions regarding factors that may influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For a discussion of the assumptions for forecasts, precautions concerning usage and other information, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 4 of the attachments.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2018, the Japanese economy recovered slowly with the support of improvements in corporate earnings, employment and other sectors of the economy. However, the economic outlook remained uncertain because of increasing geopolitical risk involving North Korea and for other reasons.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, there are signs of a recovery in demand in some sectors of the building construction and civil engineering markets. But there was still no broad-based market upturn. The price of steel scrap, the main material for the Kyoei Steel Group's products, started increasing rapidly in July because of demand for steel in China. 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. In the overseas steel business, consistently high prices for semi-finished steel products, which are used to manufacture steel products in Vietnam, caused a big decline in the spread between the prices of raw materials and finished products. Vinton Steel LLC, a U.S. company that was acquired in December 2016, is included in consolidated sales and earnings beginning with the first half of this fiscal year.

Consolidated net sales increased 15,329 million yen (21.5%) to 86,506 million yen. Operating profit decreased 3,640 million yen (68.8%) to 1,654 million yen, ordinary profit decreased 3,878 million yen (73.3%) to 1,411 million yen, and profit attributable to owners of parent decreased 2,076 million yen (67.4%) to 1,006 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Shipments increased 14,000 tons from one year earlier to 825,000 tons. Product prices rose by 6,300 yen (12.7%) per ton but the price of steel scrap further increased by 7,400 yen (35.4%) per ton. Therefore, the difference between the prices of steel products and steel scrap, narrowed by 1,100 yen (4.0%) per ton compared with one year earlier. In addition, the cost of manufacturing increased because of the higher cost of electricity and other forms of energy, prices of secondary materials and other items.

Segment sales increased 6,184 million yen (13.9%) to 50,630 million yen and operating profit was down 1,643 million yen (41.7%) to 2,297 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. However, operations in Vietnam posted a loss in the first half of calendar 2017. The cause was a smaller between the prices of steel products and steel scrap, caused by the consistently high cost of semi-finished steel products, the result of Vietnam's safeguard measures to counter an inflow of inexpensive steel products from China and of demand for steel in China. In the United States, Vinton Steel was profitable as this company achieved sales growth and cost reductions largely as planned.

Segment sales increased 9,410 million yen (40.3%) to 32,736 million yen and operating profit decreased 1,601 million yen to a loss of 125 million yen.

3) Material Recycling Business

Despite activities aimed at receiving higher unit price orders using materials that are difficult to process, increasingly heated competition caused segment sales to decrease 282 million yen (8.6%) to 2,988 million yen and operating profit to fall 228 million yen (44.9%) to 280 million yen.

4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales increased 16 million yen (11.7%) to 152 million yen and operating profit was up 1 million yen (7.7%) to 12 million yen.

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

Current assets increased by 8,294 million yen, or 7.1%, from the end of the previous fiscal year to 124,344 million yen. This was attributable mainly to increases of 10,799 million yen in notes and accounts receivable-trade, and 4,238 million yen in merchandise and finished goods, and decreases of 3,973 million yen in cash and deposits, and 3,000 million yen in securities.

Non-current assets decreased by 1,507 million yen, or 1.5%, from the end of the previous fiscal year to 96,784 million yen. This was mainly attributable to a decrease of 1,919 million yen in machinery, equipment and vehicles.

Total assets increased by 6,787 million yen, or 3.2%, from the end of the previous fiscal year to 221,128 million yen.

Liabilities

Current liabilities increased by 8,686 million yen, or 17.4%, from the end of the previous fiscal year to 58,720 million yen. This was attributable mainly to increases of 4,995 million yen in notes and accounts payable-trade and 4,496 million yen in short-term loans payable, and a decrease of 704 million yen in other current liabilities.

Non-current liabilities decreased by 1,763 million yen, or 10.0%, from the end of the previous fiscal year to 15,881 million yen. This was attributable mainly to a decrease of 1,949 million yen in long-term loans payable.

Total liabilities increased by 6,923 million yen, or 10.2%, from the end of the previous fiscal year to 74,601 million yen.

Net assets

Net assets decreased by 136 million yen, or 0.1%, from the end of the previous fiscal year to 146,527 million yen. This was attributable mainly to a profit attributable to owners of parent of 1,006 million yen, dividends of surplus of 869 million yen, and a decrease of 348 million yen in foreign currency translation adjustment.

As a result, equity to total assets declined from 64.6% to 62.8%.

Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 20,809 million yen from the end of the previous fiscal year to 15,930 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

(i) Cash flows from operating activities

Net cash used in operating activities was 6,104 million yen. Major components were a 5,077 million yen increase in notes and accounts payable-trade, depreciation of 3,292 million yen, profit before income taxes of 1,075 million yen, a 10,891 million yen increase in notes and accounts receivable-trade, and a 4,574 million yen increase in inventories.

(ii) Cash flows from investing activities

Net cash used in investing activities was 17,694 million yen. Major components were payments into time deposits of 16,411 million yen, purchase of property, plant and equipment of 3,620 million yen, purchase of securities of 3,000 million yen, and proceeds from sales of securities of 5,000 million yen.

(iii) Cash flows from financing activities

Net cash provided by financing activities was 3,096 million yen. Major components include a net increase of 5,478 million yen in short-term loans payable, repayments of long-term loans payable of 1,535 million yen, and cash dividends paid of 870 million yen.

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

In the second half of the fiscal year, we expect market conditions for the domestic steel business to remain challenging due to the consistently high price of steel scrap. We also anticipate an increase in the cost of manufacturing mainly because of the rising cost of secondary materials. Consequently, we expect that earnings will be less than initially planned. In the overseas steel business, we expect that earnings will be higher than initially planned because of the outlook for Kyoei Steel Group operations in Vietnam to raise product prices as demand for steel in Vietnam remains strong.

Based on this outlook, we have revised the full-year forecasts for the fiscal year ending March 31, 2018 that we announced on July 31, 2017 with results of operations for the first quarter.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2017 (as of Mar. 31, 2017)	Second quarter of FY2018 (as of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	39,446	35,474
Notes and accounts receivable-trade	35,584	46,383
Securities	8,400	5,400
Merchandise and finished goods	15,573	19,811
Raw materials and supplies	13,652	13,493
Other	3,509	3,899
Allowance for doubtful accounts	(115)	(116)
Total current assets	116,050	124,344
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,167	17,527
Machinery, equipment and vehicles, net	37,341	35,422
Land	23,993	23,963
Other, net	1,398	1,628
Total property, plant and equipment	80,900	78,541
Intangible assets	1,989	1,866
Investments and other assets		
Investment securities	11,116	12,072
Other	4,349	4,369
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	15,401	16,378
Total non-current assets	98,291	96,784
Total assets	214,341	221,128

(Unit: millions of yen)

	FY2017 (as of Mar. 31, 2017)	Second quarter of FY2018 (as of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,967	16,962
Short-term loans payable	24,388	28,885
Current portion of long-term loans payable	3,041	2,950
Income taxes payable	949	736
Provision for bonuses	701	968
Provision for directors' bonuses	110	46
Other	8,877	8,173
Total current liabilities	50,034	58,720
Non-current liabilities		
Long-term loans payable	13,427	11,478
Deferred tax liabilities	920	1,256
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for directors' retirement benefits	9	10
Net defined benefit liability	76	62
Other	779	642
Total non-current liabilities	17,644	15,881
Total liabilities	67,678	74,601
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	91,730	91,866
Treasury shares	(1,915)	(1,858)
Total shareholders' equity	129,823	130,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,952	2,603
Deferred gains or losses on hedges	40	15
Revaluation reserve for land	4,618	4,618
Foreign currency translation adjustment	1,930	1,582
Remeasurements of defined benefit plans	2	44
Total accumulated other comprehensive income	8,542	8,861
Non-controlling interests	8,298	7,649
Total net assets	146,662	146,527
Total liabilities and net assets	214,341	221,128

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

(Unit: millions of yen)

	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)	First six months of FY2018 (from Apr. 1, 2017 to Sep. 30, 2017)
Net sales	71,178	86,506
Cost of sales	60,759	78,780
Gross profit	10,419	7,726
Selling, general and administrative expenses	5,125	6,071
Operating profit	5,294	1,654
Non-operating income		
Interest income	101	126
Dividend income	110	130
Share of profit of entities accounted for using equity method	109	39
Foreign exchange gains	-	9
Other	109	137
Total non-operating income	430	441
Non-operating expenses		
Interest expenses	346	639
Foreign exchange losses	40	-
Other	48	44
Total non-operating expenses	435	684
Ordinary profit	5,290	1,411
Extraordinary income		
Gain on sales and retirement of non-current assets	117	6
Gain on sales of capital of subsidiaries and associates	-	7
Total extraordinary income	117	13
Extraordinary losses		
Loss on sales and retirement of non-current assets	336	164
Loss on liquidation of business	94	-
Loss on accident	-	165
Other	22	21
Total extraordinary losses	452	350
Profit before income taxes	4,955	1,075
Income taxes	1,369	382
Profit	3,585	692
Profit (loss) attributable to non-controlling interests	503	(314)
Profit attributable to owners of parent	3,082	1,006

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

(Unit: millions of yen)

	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)	First six months of FY2018 (from Apr. 1, 2017 to Sep. 30, 2017)
Profit	3,585	692
Other comprehensive income		
Valuation difference on available-for-sale securities	(167)	651
Deferred gains or losses on hedges	-	(55)
Foreign currency translation adjustment	(2,161)	(638)
Remeasurements of defined benefit plans, net of tax	42	41
Total other comprehensive income	(2,286)	(1)
Comprehensive income	1,299	691
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,891	1,325
Comprehensive income attributable to non-controlling interests	(592)	(634)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: millions of yen)

	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)	First six months of FY2018 (from Apr. 1, 2017 to Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	4,955	1,075
Depreciation	2,514	3,292
Amortization of goodwill	-	68
Increase (decrease) in provision	133	208
Increase (decrease) in net defined benefit liability	4	(13)
Share of (profit) loss of entities accounted for using equity method	(109)	(39)
Loss (gain) on sales and retirement of non-current assets	219	158
Interest and dividend income	(212)	(256)
Interest expenses	346	639
Decrease (increase) in notes and accounts receivable-trade	1,526	(10,891)
Decrease (increase) in inventories	(1,104)	(4,574)
Increase (decrease) in notes and accounts payable-trade	635	5,077
Increase (decrease) in accrued consumption taxes	(564)	211
Decrease (increase) in net defined benefit asset	33	43
Other, net	(362)	23
Subtotal	8,016	(4,980)
Interest and dividend income received	297	276
Interest expenses paid	(335)	(596)
Income taxes paid	(2,113)	(805)
Net cash provided by (used in) operating activities	5,865	(6,104)
Cash flows from investing activities		
Payments into time deposits	(3,076)	(16,411)
Proceeds from withdrawal of time deposits	365	341
Purchase of securities	(975)	(3,000)
Proceeds from sales of securities	-	5,000
Purchase of investment securities	(1)	(1)
Purchase of shares of subsidiaries	(110)	-
Purchase of investments in capital of subsidiaries	(252)	-
Proceeds from sales of investments in capital of subsidiaries	-	107
Payments of deposit	(0)	(25)
Proceeds from withdrawal deposit	1	27
Payments of loans receivable	(25)	(5)
Collection of loans receivable	139	16
Purchase of property, plant and equipment	(2,907)	(3,620)
Proceeds from sales of property, plant and equipment	182	17
Purchase of intangible assets	(57)	(47)
Other, net	(143)	(93)
Net cash provided by (used in) investing activities	(6,860)	(17,694)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	911	5,478
Repayments of long-term loans payable	(1,040)	(1,535)
Purchase of treasury shares	(0)	-
Proceeds from disposal of treasury shares	64	58
Cash dividends paid	(1,521)	(870)
Dividends paid to non-controlling interests	(30)	(15)
Other, net	(3)	(20)
Net cash provided by (used in) financing activities	(1,619)	3,096
Effect of exchange rate change on cash and cash equivalents	(766)	(107)
Net increase (decrease) in cash and cash equivalents	(3,379)	(20,809)
Cash and cash equivalents at beginning of period	39,596	36,740
Cash and cash equivalents at end of period	36,217	15,930

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment information**

I. First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)

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

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	44,446	23,326	3,270	71,042	136	-	71,178
Inter-segment sales and transfers	101	-	779	881	-	(881)	-
Total	44,547	23,326	4,050	71,923	136	(881)	71,178
Segment income	3,940	1,476	508	5,924	11	(641)	5,294

- 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 (641) million yen to segment income includes (9) million yen in eliminations for inter-segment transactions and (632) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company's head office that cannot be attributed to reportable segments.
 - Segment income are adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY2018 (from Apr. 1, 2017 to Sep. 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	50,630	32,736	2,988	86,355	152	-	86,506
Inter-segment sales and transfers	79	-	469	548	-	(548)	-
Total	50,709	32,736	3,457	86,902	152	(548)	86,506
Segment income (loss)	2,297	(125)	280	2,452	12	(809)	1,654

- 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 (809) million yen to segment income includes 9 million yen in eliminations for inter-segment transactions and (818) million yen in corporate costs that are not allocated to reportable segments. Corporate costs mainly include general and administration expenses of the Company's head office that cannot be attributed to reportable segments.
 - Segment income are adjusted to be consistent with operating profit shown on the quarterly consolidated statements of income.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

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

Significant gain on bargain purchase

Not applicable.

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