

Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2018 (Fiscal Year 2018)
(Nine Months Ended December 31, 2017)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section
 Stock code: 5440 URL: <http://www.kyoeisteel.co.jp/>
 Representative: Mitsuhiro Mori, President
 Inquiries: Hiroshi Kunimaru, Executive Officer, General Manager of Corporate Planning Dept.
 Tel: +81-6-6346-5221 (from overseas)
 Scheduled date of filing of Quarterly Report (Japanese version only): February 9, 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 Third Quarter (from April 1, 2017 to December 31, 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	%
Nine months ended Dec. 31, 2017	137,838	28.7	2,978	(55.3)	2,619	(60.9)	1,464	(61.8)
Nine months ended Dec. 31, 2016	107,067	(12.4)	6,658	(39.9)	6,697	(41.2)	3,837	(40.1)

Note: Comprehensive income
 Nine months ended Dec. 31, 2017: 2,333 million yen (up 4.2 %)
 Nine months ended Dec. 31, 2016: 2,239 million yen (down 61.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	33.76	-
Nine months ended Dec. 31, 2016	88.58	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Dec. 31, 2017	218,898	147,768	63.8
As of Mar. 31, 2017	214,341	146,662	64.6

Reference: Shareholders' equity As of Dec. 31, 2017: 139,664 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: None

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 year-on-year changes)

	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	3,400	(57.3)	3,000	(62.2)	2,700	(43.6)	62.26

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

For more information, please refer to the press release dated today (January 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): 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 Dec. 31, 2017:	44,898,730 shares	As of Mar. 31, 2017:	44,898,730 shares
----------------------	-------------------	----------------------	-------------------

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

As of Dec. 31, 2017:	1,504,619 shares	As of Mar. 31, 2017:	1,551,786 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	43,366,270 shares	Nine months ended Dec. 31, 2016:	43,311,439 shares
----------------------------------	-------------------	----------------------------------	-------------------

* 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 3 of the attachments.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income for the Nine-month Period	6
Quarterly Consolidated Statements of Comprehensive Income for the Nine-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going-concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
Material Subsequent Events	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending March 31, 2018, the Japanese economy recovered slowly as improvements in corporate earnings, jobs and personal income continued. 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, 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, continued to climb 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, 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 30,771 million yen (28.7%) to 137,838 million yen. Operating profit decreased 3,680 million yen (55.3%) to 2,978 million yen, ordinary profit decreased 4,078 million yen (60.9%) to 2,619 million yen, and profit attributable to owners of parent decreased 2,373 million yen (61.8%) to 1,464 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Shipments increased 17,000 tons from one year earlier to 1,260,000 tons because of a recovery in demand. Although product prices rose by 7,200 yen (14.5%) per ton because of price hikes, the price of steel scrap further increased by 8,700 yen (39.9%) per ton. Therefore, the difference between the prices of steel products and steel scrap, narrowed by 1,500 yen (5.3%) 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 and of secondary materials such as ferroalloys and electrodes.

Segment sales increased 10,621 million yen (15.6%) to 78,862 million yen and operating profit was down 3,568 million yen (57.9%) to 2,595 million yen.

2) Overseas Steel Business

Kyoei Steel has operations in Vietnam and the United States.

In Vietnam, prices of steel scrap and semi-finished products were consistently high during the first nine months (Jan.-Sep. 2017). This was the result of Vietnam's safeguard measures to counter an inflow of inexpensive steel products from China and of demand for steel in China. Although the cost of raw materials was high, operations in Vietnam performed well because of product price increases that started in July and growth in the sales volume. In the United States, where demand for steel is firm, operations were profitable primarily because of growth in sales and cost reductions.

Segment sales increased 20,411 million yen (60.5%) to 54,147 million yen and operating profit increased 138 million yen (17.1%) to 944 million yen.

3) Material Recycling Business

Despite activities since October aimed at acquiring higher unit price orders for handling waste that are difficult to process, segment sales decreased 274 million yen (5.6%) to 4,599 million yen and operating profit fell 159 million yen (22.2%) to 560 million yen.

4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales increased 12 million yen (5.5%) to 230 million yen and operating profit was up 1 million yen (10.5%) to 11 million yen.

(2) Explanation of Financial Position

Assets

Current assets increased by 3,679 million yen, or 3.2%, from the end of the previous fiscal year to 119,729 million yen. This was attributable mainly to an increase of 15,062 million yen in notes and accounts receivable-trade, and a decrease of 12,685 million yen in cash and deposits.

Non-current assets increased by 878 million yen, or 0.9%, from the end of the previous fiscal year to 99,169 million yen. This was mainly attributable to an increase of 4,084 million yen in investment securities, and decreases of 530 million yen in buildings and structures and 2,726 million yen in machinery, equipment and vehicles.

Total assets increased by 4,557 million yen, or 2.1%, from the end of the previous fiscal year to 218,898 million yen.

Liabilities

Current liabilities increased by 5,735 million yen, or 11.5%, from the end of the previous fiscal year to 55,769 million yen. This was attributable mainly to an increase of 7,984 million yen in notes and accounts payable-trade, and decreases of 1,033 million yen in short-term loans payable and 868 million yen in income taxes payable.

Non-current liabilities decreased by 2,284 million yen, or 12.9%, from the end of the previous fiscal year to 15,361 million yen. This was attributable mainly to a decrease of 2,748 million yen in long-term loans payable.

Total liabilities increased by 3,452 million yen, or 5.1%, from the end of the previous fiscal year to 71,130 million yen.

Net assets

Net assets increased by 1,105 million yen, or 0.8%, from the end of the previous fiscal year to 147,768 million yen. This was attributable mainly to a profit attributable to owners of parent of 1,464 million yen, dividends of surplus of 1,304 million yen, and an increase of 1,271 million yen in valuation difference on available-for-sale securities.

As a result, equity to total assets declined from 64.6% to 63.8%.

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

In the fourth quarter of the fiscal year, there is no change in our outlook for sales volume and product prices but we expect market conditions for the domestic steel business to remain challenging as the price of steel scrap is expected to increase. We also anticipate an increase in the cost of manufacturing mainly because of the rising cost of secondary materials such as ferroalloys and electrodes.

Based on this outlook, we have revised the full-year forecasts for the fiscal year ending March 31, 2018 that we announced on October 31, 2017 with results of operations for the first half because the consolidated results of operations are expected to be less than previously anticipated.

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

	(Unit: millions of yen)	
	FY2017 (as of Mar. 31, 2017)	Third quarter of FY2018 (as of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	39,446	26,761
Notes and accounts receivable-trade	35,584	50,646
Securities	8,400	5,400
Merchandise and finished goods	15,573	18,472
Raw materials and supplies	13,652	14,501
Other	3,509	4,103
Allowance for doubtful accounts	(115)	(154)
Total current assets	116,050	119,729
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,167	17,637
Machinery, equipment and vehicles, net	37,341	34,616
Land	23,993	24,087
Other, net	1,398	1,414
Total property, plant and equipment	80,900	77,753
Intangible assets	1,989	2,204
Investments and other assets		
Investment securities	11,116	15,200
Other	4,349	4,076
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	15,401	19,212
Total non-current assets	98,291	99,169
Total assets	214,341	218,898

	(Unit: millions of yen)	
	FY2017 (as of Mar. 31, 2017)	Third quarter of FY2018 (as of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,967	19,951
Short-term loans payable	24,388	23,356
Current portion of long-term loans payable	3,041	2,965
Income taxes payable	949	82
Provision for bonuses	701	744
Provision for directors' bonuses	110	52
Other	8,877	8,619
Total current liabilities	50,034	55,769
Non-current liabilities		
Long-term loans payable	13,427	10,679
Deferred tax liabilities	920	1,522
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for directors' retirement benefits	9	10
Net defined benefit liability	76	86
Other	779	631
Total non-current liabilities	17,644	15,361
Total liabilities	67,678	71,130
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	91,730	91,890
Treasury shares	(1,915)	(1,825)
Total shareholders' equity	129,823	130,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,952	3,223
Deferred gains or losses on hedges	40	20
Revaluation reserve for land	4,618	4,618
Foreign currency translation adjustment	1,930	1,664
Remeasurements of defined benefit plans	2	64
Total accumulated other comprehensive income	8,542	9,590
Non-controlling interests	8,298	8,104
Total net assets	146,662	147,768
Total liabilities and net assets	214,341	218,898

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

(Unit: millions of yen)

	First nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 2016)	First nine months of FY2018 (from Apr. 1, 2017 to Dec. 31, 2017)
Net sales	107,067	137,838
Cost of sales	92,127	125,589
Gross profit	14,940	12,248
Selling, general and administrative expenses	8,282	9,271
Operating profit	6,658	2,978
Non-operating income		
Interest income	171	220
Dividend income	191	223
Share of profit of entities accounted for using equity method	135	-
Foreign exchange gains	11	16
Other	146	213
Total non-operating income	653	671
Non-operating expenses		
Interest expenses	547	919
Share of loss of entities accounted for using equity method	-	23
Other	67	88
Total non-operating expenses	614	1,030
Ordinary profit	6,697	2,619
Extraordinary income		
Gain on sales and retirement of non-current assets	119	9
Gain on sales of capital of subsidiaries and associates	-	7
Total extraordinary income	119	16
Extraordinary losses		
Loss on sales and retirement of non-current assets	400	245
Loss on accident	-	150
Other	152	15
Total extraordinary losses	551	410
Profit before income taxes	6,264	2,225
Income taxes	2,119	673
Profit	4,145	1,552
Profit attributable to non-controlling interests	309	88
Profit attributable to owners of parent	3,837	1,464

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

(Unit: millions of yen)

	First nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 2016)	First nine months of FY2018 (from Apr. 1, 2017 to Dec. 31, 2017)
Profit	4,145	1,552
Other comprehensive income		
Valuation difference on available-for-sale securities	746	1,271
Deferred gains or losses on hedges	(75)	(43)
Foreign currency translation adjustment	(2,640)	(509)
Remeasurements of defined benefit plans, net of tax	62	62
Total other comprehensive income	(1,906)	782
Comprehensive income	2,239	2,333
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,308	2,512
Comprehensive income attributable to non-controlling interests	(1,069)	(179)

(3) 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 nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 2016)

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	68,241	33,736	4,873	106,850	218	-	107,067
Inter-segment sales and transfers	145	-	993	1,138	-	(1,138)	-
Total	68,386	33,736	5,866	107,988	218	(1,138)	107,067
Segment profit	6,163	806	719	7,688	10	(1,041)	6,658

- 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 (1,041) million yen to segment profit includes (8) million yen in eliminations for inter-segment transactions and (1,033) 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. 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

On December 21, 2016, consolidated subsidiary Kyoei Steel America LLC, which is located in Delaware, U.S., acquired all of the stock of BD Vinton LLC (now Vinton Steel LLC), which is located in Texas. This acquisition made Vinton Steel and its subsidiary subsidiaries of Kyoei Steel. As a result, goodwill in the Overseas Steel Business segment increased by 705 million yen in the first nine months of FY2017.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY2018 (from Apr. 1, 2017 to Dec. 31, 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	78,862	54,147	4,599	137,608	230	-	137,838
Inter-segment sales and transfers	100	-	749	849	-	(849)	-
Total	78,962	54,147	5,348	138,457	230	(849)	137,838
Segment profit	2,595	944	560	4,099	11	(1,133)	2,978

- 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 (1,133) million yen to segment profit includes 13 million yen in eliminations for inter-segment transactions and (1,146) 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, U.S. consolidated subsidiary Kyoei Steel America LLC to acquire all of the stock of Vinton Steel and its subsidiary in the previous fiscal year. Provisional goodwill of 375 million yen was recorded following this acquisition. Due to 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.

In line with the finalization of this provisional accounting treatment, the significant change in goodwill in the first nine months of FY2017 has been revised to reflect this revision.

Significant gain on bargain purchase

Not applicable.

Material Subsequent Events**Sales of Investment Securities**

Kyoei Steel sold part of its investment securities on January 31, 2018 in response to a request from a major customer. As a result, a gain on sales of investment securities of 1,913 million yen will be recorded as extraordinary income in the fiscal year ending March 31, 2018.

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.