

Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2020 (Fiscal Year 2020)
(Three Months Ended June 30, 2019)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section
 Stock code: 5440 URL: <http://www.kyoeisteel.co.jp/>
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 Scheduled date of filing of Quarterly Report (Japanese version only): August 9, 2019
 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, 2019 to June 30, 2019)
of Fiscal Year 2020

(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, 2019	62,925	23.8	4,598	111.0	4,324	102.1	2,863	44.2
Three months ended Jun. 30, 2018	50,826	17.5	2,179	27.1	2,139	28.5	1,985	88.4

Note: Comprehensive income Three months ended Jun. 30, 2019: 2,917 million yen (up 265.5%)
 Three months ended Jun. 30, 2018: 798 million yen (down 17.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	65.87	-
Three months ended Jun. 30, 2018	45.74	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2019	258,908	155,346	56.0
As of Mar. 31, 2019	261,590	153,781	54.8

Reference: Shareholders' equity As of Jun. 30, 2019: 144,888 million yen As of Mar. 31, 2019: 143,407 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	10.00	-	30.00	40.00
Fiscal Year 2020	-	-	-	-	-
Fiscal Year 2020 (Forecast)	-	10.00	-	30.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecasts of Consolidated Earnings for Fiscal Year 2020 (from April 1, 2019 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	125,000	12.9	9,000	108.2	8,500	113.7	5,500	81.1	126.56
Full year	255,000	5.3	11,000	19.6	10,500	21.4	7,000	7.6	161.07

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: Yes

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, 2019:	44,898,730 shares	As of Mar. 31, 2019:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	1,439,725 shares	As of Mar. 31, 2019:	1,439,682 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	43,459,022 shares	Three months ended Jun. 30, 2018:	43,405,181 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)

	FY2019 (as of Mar. 31, 2019)	First quarter of FY2020 (as of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	42,133	41,368
Notes and accounts receivable-trade	48,845	49,030
Electronically recorded monetary claims-operating	14,854	15,292
Securities	4,400	3,800
Merchandise and finished goods	26,360	26,759
Raw materials and supplies	18,535	19,295
Other	7,289	5,345
Allowance for doubtful accounts	(500)	(575)
Total current assets	161,916	160,315
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,028	20,773
Machinery, equipment and vehicles, net	34,980	33,857
Land	24,249	24,260
Other, net	1,360	1,923
Total property, plant and equipment	81,617	80,812
Intangible assets		
Goodwill	3,944	3,848
Other	2,565	2,498
Total intangible assets	6,508	6,346
Investments and other assets		
Investment securities	8,120	8,270
Other	3,493	3,228
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	11,549	11,434
Total non-current assets	99,674	98,593
Total assets	261,590	258,908

	(Unit: millions of yen)	
	FY2019 (as of Mar. 31, 2019)	First quarter of FY2020 (as of Jun. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,816	17,991
Electronically recorded obligations-operating	4,673	4,479
Short-term borrowings	40,857	39,661
Current portion of long-term borrowings	3,861	3,861
Income taxes payable	2,053	1,085
Provision for bonuses	718	539
Provision for bonuses for directors (and other officers)	2	1
Other	9,920	8,611
Total current liabilities	79,900	76,228
Non-current liabilities		
Long-term borrowings	24,069	23,218
Deferred tax liabilities	730	672
Deferred tax liabilities for land revaluation	2,433	2,433
Provision for retirement benefits for directors (and other officers)	12	12
Retirement benefit liability	74	81
Other	591	917
Total non-current liabilities	27,909	27,333
Total liabilities	107,809	103,561
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,141
Retained earnings	98,550	100,144
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	136,507	138,100
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	785	828
Deferred gains or losses on hedges	32	(26)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	1,251	1,252
Remeasurements of defined benefit plans	206	109
Total accumulated other comprehensive income	6,900	6,787
Non-controlling interests	10,374	10,459
Total net assets	153,781	155,346
Total liabilities and net assets	261,590	258,908

(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 FY2019 (from Apr. 1, 2018 to Jun. 30, 2018)	First three months of FY2020 (from Apr. 1, 2019 to Jun. 30 2019)
Net sales	50,826	62,925
Cost of sales	45,164	54,654
Gross profit	5,662	8,270
Selling, general and administrative expenses	3,483	3,673
Operating profit	2,179	4,598
Non-operating income		
Interest income	130	184
Dividend income	89	82
Share of profit of entities accounted for using equity method	61	125
Other	67	56
Total non-operating income	347	448
Non-operating expenses		
Interest expenses	335	536
Foreign exchange losses	22	173
Other	29	12
Total non-operating expenses	386	722
Ordinary profit	2,139	4,324
Extraordinary income		
Gain on sales and retirement of non-current assets	5	1
Gain on step acquisitions	549	-
Insurance claim income	47	36
Other	-	5
Total extraordinary income	601	42
Extraordinary losses		
Loss on sales and retirement of non-current assets	55	32
Loss on disaster	-	21
Provision for disposal costs of PCBs	-	46
Other	0	19
Total extraordinary losses	55	119
Profit before income taxes	2,685	4,247
Income taxes	625	1,237
Profit	2,060	3,011
Profit attributable to non-controlling interests	74	148
Profit attributable to owners of parent	1,985	2,863

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

(Unit: millions of yen)

	First three months of FY2019 (from Apr. 1, 2018 to Jun. 30, 2018)	First three months of FY2020 (from Apr. 1, 2019 to Jun. 30 2019)
Profit	2,060	3,011
Other comprehensive income		
Valuation difference on available-for-sale securities	(160)	43
Foreign currency translation adjustment	(1,278)	1
Remeasurements of defined benefit plans, net of tax	1	(98)
Deferred gains or losses on hedges	174	(40)
Total other comprehensive income	(1,262)	(94)
Comprehensive income	798	2,917
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,202	2,750
Comprehensive income attributable to non-controlling interests	(404)	167

(3) Notes to Quarterly Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of IFRS 16 "Leases"

Some foreign subsidiaries have started to apply IFRS 16 "Leases" in the first quarter of the current fiscal year. Accordingly, as a lessee, in principle, Kyoei Steel booked all leased assets and liabilities as assets and liabilities in the Quarterly Balance Sheet.

To begin applying this standard, Kyoei Steel is using the approved transitional treatment of recognizing the cumulative effect of applying this standard on the first day that this standard was applied.

The effect of this change on profit or loss in the first quarter of the current fiscal year is insignificant.

Segment and Other Information

I. 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 3,683 million yen in the first three months of FY2019.

Significant gain on bargain purchase

Not applicable.

II. First three months of FY2020 (from Apr. 1, 2019 to Jun. 30, 2019)

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	33,272	27,850	1,671	62,793	131	-	62,925
Inter-segment sales and transfers	15	-	288	303	93	(396)	-
Total	33,287	27,850	1,959	63,096	225	(396)	62,925
Segment profit	3,769	838	287	4,894	14	(310)	4,598

- 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 (310) million yen to segment profit includes 4 million yen in eliminations for inter-segment transactions and (314) 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, Vietnam Italy Steel Joint Stock Company was made a consolidated subsidiary following the additional investment by Kyoei Steel in the previous fiscal year. Provisional goodwill of 5,089 million yen was recorded following this acquisition. Due to completion of the allocation of the acquisition cost at the end of FY2019, goodwill was subsequently revised to 3,683 million yen.

In line with the finalization of this provisional accounting treatment, the significant change in goodwill in the first three months of FY2019 has been revised to reflect this revision.

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.