

Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2021 (Fiscal Year 2021)
(Three Months Ended June 30, 2020)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd. Stock exchange listed: Tokyo, 1st Section
 Stock code: 5440 URL: <https://www.kyoeisteel.co.jp/>
 Representative: Yasuyuki Hiroto, President
 Inquiries: Akinori Masuda, General Manager of Corporate Planning Dept.
 Tel: +81-6-6346-5221 (from overseas)

Scheduled date of filing of Quarterly Report (Japanese version only): August 7, 2020

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, 2020 to June 30, 2020)
of Fiscal Year 2021

(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, 2020	49,673	(21.1)	4,112	(10.6)	4,018	(7.1)	3,122	9.0
Three months ended Jun. 30, 2019	62,925	23.8	4,598	111.0	4,324	102.1	2,863	44.2

Note: Comprehensive income Three months ended Jun. 30, 2020: 1,607 million yen (down 44.9%)

Three months ended Jun. 30, 2019: 2,917 million yen (up 265.5%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	71.83	-
Three months ended Jun. 30, 2019	65.87	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2020	276,316	160,406	54.7
As of Mar. 31, 2020	273,850	161,581	55.2

Reference: Shareholders' equity As of Jun. 30, 2020: 151,045 million yen As of Mar. 31, 2020: 151,207 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2020	-	10.00	-	65.00	75.00
Fiscal Year 2021	-	-	-	-	-
Fiscal Year 2021 (Forecast)	-	15.00	-	25.00	40.00

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

3. Forecasts of Consolidated Earnings for Fiscal Year 2021 (from April 1, 2020 to March 31, 2021)

(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
First half	100,000	(19.4)	7,000	(31.3)	7,000	(28.4)	5,000	(16.8)	115.05
Full year	220,000	(8.1)	10,000	(48.5)	10,000	(47.2)	6,500	(43.4)	149.57

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 Jun. 30, 2020:	44,898,730 shares	Fiscal Year 2020:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	1,439,755 shares	Fiscal Year 2020:	1,439,755 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	43,458,975 shares	Three months ended Jun. 30, 2019:	43,459,022 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. 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 quarter of the fiscal year ending March 31, 2021, there was a sharp economic downturn in Japan as the spread of COVID-19 temporarily stopped many economic activities. The outlook for the economy remains unclear.

The market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, was lackluster overall as companies that use these materials responded to the low prices of steel scrap by pushing back purchases and buying only the amount of materials needed for immediate requirements. In Vietnam and North America, the impact of COVID-19 on markets for steel construction materials was relatively small during the first quarter. However, the business climate was much worse than one year earlier in southern Vietnam because of intense competition and other reasons.

Consolidated net sales decreased 13,251 million yen (21.1%) to 49,673 million yen. Operating profit decreased 486 million yen (10.6%) to 4,112 million yen and ordinary profit decreased 306 million yen (7.1%) to 4,018 million yen. Profit attributable to owners of parent increased 259 million yen (9.0%) to 3,122 million yen.

Results by business segment are as follows.

Business segments have been changed beginning with the first quarter of the current fiscal year. Comparisons with results of operations in the first quarter of the previous fiscal year and accompanying analysis are based on the revised business segments. For more information, please see "Segment and Other Information, II. 2. Information related to revisions to reportable segments" on page 10.

1) Domestic Steel Business

Product shipments decreased 49,000 tons from one year earlier to 382,000 tons. Product prices decreased 7,100 yen (10.0%) per ton and the price of steel scrap was down 11,000 yen (33.5%). Therefore, the difference between the prices of steel products and steel scrap widened by 3,900 yen (10.3%) per ton compared with one year earlier.

Segment sales decreased 6,321 million yen (19.1%) to 26,767 million yen and operating profit increased 973 million yen (25.8%) to 4,741 million yen.

2) Overseas Steel Business

Kyoei Steel operates steel business in Vietnam and North America (the United States and Canada).

In Vietnam, strict measures by the government contained the COVID-19 outbreak. But sales and earnings were held down due to downturn in steel product market conditions in southern Vietnam, caused by competitors' expanded sales at low prices accompanying increasing their production capacity. In the United States, performance was strong as favorable market conditions made it possible to maintain a sound metal spread. In Canada, results of operations include AltaSteel Inc., which was acquired on March 17, 2020, beginning with the first quarter of the current fiscal year.

Segment sales decreased 7,430 million yen (26.7%) to 20,419 million yen and operating loss was 545 million yen (compared with operating profit of 838 million yen one year earlier).

3) Material Recycling Business

The volume of industrial waste materials processed decreased mainly because of temporary suspensions of manufacturing activities because of COVID-19. Segment sales decreased 167 million yen (10.0%) to 1,504 million yen and operating profit decreased 71 million yen (24.9%) to 215 million yen.

4) Others

This category includes sales of civil engineering materials by a subsidiary, harbor operations in Vietnam and castings in Japan and Vietnam. Sales increased 667 million yen (211.4%) to 983 million yen and operating loss was 29 million yen (compared with operating profit of 15 million yen one year earlier).

(2) Explanation of Financial Position

Assets

Current assets increased by 3,913 million yen, or 2.5%, from the end of the previous fiscal year to 163,106 million yen. This was attributable mainly to increases of 5,401 million yen in cash and deposits and 1,425 million yen in merchandise and finished goods, and decreases of 2,034 million yen in notes and accounts receivable-trade and 857 million yen in other current assets.

Non-current assets decreased by 1,448 million yen, or 1.3%, from the end of the previous fiscal year to 113,210 million yen. This was mainly attributable to a decrease of 1,224 million yen in investments and other assets.

Total assets increased by 2,466 million yen, or 0.9%, from the end of the previous fiscal year to 276,316 million yen.

Liabilities

Current liabilities decreased by 9,312 million yen, or 11.3%, from the end of the previous fiscal year to 72,925 million yen. This was attributable mainly to increases of 1,474 million yen in current portion of long-term borrowings and 1,213 million yen in notes and accounts payable-trade, and decreases of 8,644 million yen in short-term borrowings and 2,751 million yen in income taxes payable.

Non-current liabilities increased by 12,953 million yen, or 43.1%, from the end of the previous fiscal year to 42,985 million yen. This was attributable mainly to an increase of 12,565 million yen in long-term borrowings.

Total liabilities increased by 3,640 million yen, or 3.2%, from the end of the previous fiscal year to 115,910 million yen.

Net assets

Net assets decreased by 1,175 million yen, or 0.7%, from the end of the previous fiscal year to 160,406 million yen. This was attributable mainly to a profit attributable to owners of parent of 3,122 million yen, dividends of surplus of 2,825 million yen, a 481 million yen decrease in foreign currency translation adjustment and a 1,012 million yen decrease in non-controlling interests.

As a result, equity to total assets decreased from 55.2% to 54.7%.

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

1) Consolidated forecasts

The previous forecast reflected to some extent a decline in the volume of shipments and other effects of COVID-19 in the second quarter of the current fiscal year. However, the current performance of the domestic steel business is better than was expected at the beginning of the fiscal year. On the other hand, the performance of the overseas steel business is expected to fall short of the initial outlook mainly because of consistently fierce competition in southern Vietnam. Overall, the outlook is for performance in the second quarter of this fiscal year to be better than was previously forecast.

Based on this outlook, we have revised the forecast for the first half of the current fiscal year that was announced on May 12, 2020 with results of operations for the previous fiscal year. We now forecast consolidated net sales of 100,000 million yen, operating profit of 7,000 million yen, ordinary profit of 7,000 million yen, and profit attributable to owners of parent of 5,000 million yen.

We have also established a full-year forecast, which was not determined as of May 12, 2020. Based on information currently available about the effects of COVID-19 on the Kyoei Steel Group, we forecast consolidated net sales of 220,000 million yen, operating profit of 10,000 million yen, ordinary profit of 10,000 million yen, and profit attributable to owners of parent of 6,500 million yen.

2) Dividend forecasts

We believe that increasing corporate value is the most effective means of distributing earnings to shareholders. Our policy for dividends is to allocate a suitable portion of earnings to dividend payments while maintaining sufficient retained earnings needed to achieve growth and make the entire group stronger from a long-term perspective. Consequently, we have established the basic dividend policy of maintaining a consolidated payout ratio of 25% to 30% while paying an annual dividend of at least 30 yen per share.

For the fiscal year ending on March 31, 2021, based on the full-year forecast and dividend policy, we are announcing a forecast a year-end dividend of 25 yen per share, which was previously undecided. As a result, the forecast for the annual dividend is 40 yen per share, the sum of a 15 yen interim dividend and a 25 yen year-end dividend.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2020 (as of Mar. 31, 2020)	First quarter of FY2021 (as of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	55,609	61,010
Notes and accounts receivable-trade	39,603	37,568
Electronically recorded monetary claims-operating	11,501	11,351
Securities	2,300	2,300
Merchandise and finished goods	25,105	26,531
Raw materials and supplies	21,484	21,605
Other	4,258	3,401
Allowance for doubtful accounts	(667)	(660)
Total current assets	159,192	163,106
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,459	21,228
Machinery, equipment and vehicles, net	40,821	40,025
Land	31,186	31,538
Other, net	4,185	5,128
Total property, plant and equipment	97,652	97,919
Intangible assets		
Goodwill	267	232
Other	2,399	2,505
Total intangible assets	2,666	2,737
Investments and other assets		
Investment securities	9,191	8,628
Other	5,213	3,989
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,340	12,553
Total non-current assets	114,657	113,210
Total assets	273,850	276,316

	(Unit: millions of yen)	
	FY2020 (as of Mar. 31, 2020)	First quarter of FY2021 (as of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,482	11,695
Electronically recorded obligations-operating	2,975	2,850
Short-term borrowings	46,737	38,093
Current portion of long-term borrowings	4,260	5,735
Income taxes payable	3,976	1,226
Provision for bonuses	756	726
Provision for bonuses for directors (and other officers)	18	0
Other	13,033	12,601
Total current liabilities	82,238	72,925
Non-current liabilities		
Long-term borrowings	20,640	33,205
Deferred tax liabilities	1,824	1,748
Deferred tax liabilities for land revaluation	2,433	2,433
Retirement benefit liability	4,031	3,993
Other	1,104	1,605
Total non-current liabilities	30,032	42,985
Total liabilities	112,269	115,910
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	21,141	21,179
Retained earnings	108,335	108,836
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	146,292	146,830
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	246	240
Deferred gains or losses on hedges	(158)	(371)
Revaluation reserve for land	4,625	4,625
Foreign currency translation adjustment	286	(194)
Remeasurements of defined benefit plans	(83)	(84)
Total accumulated other comprehensive income	4,916	4,215
Non-controlling interests	10,373	9,361
Total net assets	161,581	160,406
Total liabilities and net assets	273,850	276,316

(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 FY2020 (from Apr. 1, 2019 to Jun. 30, 2019)	First three months of FY2021 (from Apr. 1, 2020 to Jun. 30, 2020)
Net sales	62,925	49,673
Cost of sales	54,654	41,915
Gross profit	8,270	7,759
Selling, general and administrative expenses	3,673	3,647
Operating profit	4,598	4,112
Non-operating income		
Interest income	184	194
Dividend income	82	87
Share of profit of entities accounted for using equity method	125	285
Other	56	116
Total non-operating income	448	682
Non-operating expenses		
Interest expenses	536	432
Foreign exchange losses	173	333
Other	12	11
Total non-operating expenses	722	776
Ordinary profit	4,324	4,018
Extraordinary income		
Gain on sales and retirement of non-current assets	1	1
Insurance claim income	36	-
Other	5	-
Total extraordinary income	42	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	32	73
Loss on disaster	21	-
Provision for disposal costs of PCBs	46	-
Other	19	20
Total extraordinary losses	119	93
Profit before income taxes	4,247	3,926
Income taxes	1,237	1,391
Profit	3,011	2,536
Profit (loss) attributable to non-controlling interests	148	(586)
Profit attributable to owners of parent	2,863	3,122

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

(Unit: millions of yen)

	First three months of FY2020 (from Apr. 1, 2019 to Jun. 30, 2019)	First three months of FY2021 (from Apr. 1, 2020 to Jun. 30, 2020)
Profit	3,011	2,536
Other comprehensive income		
Valuation difference on available-for-sale securities	43	(5)
Foreign currency translation adjustment	1	(667)
Remeasurements of defined benefit plans, net of tax	(98)	(1)
Deferred gains or losses on hedges	(40)	(256)
Total other comprehensive income	(94)	(929)
Comprehensive income	2,917	1,607
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,750	2,450
Comprehensive income attributable to non-controlling interests	167	(843)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. 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	33,088	27,850	1,671	62,609	316	-	62,925
Inter-segment sales and transfers	15	-	288	303	93	(396)	-
Total	33,103	27,850	1,959	62,912	409	(396)	62,925
Segment profit	3,768	838	287	4,893	15	(310)	4,598

- Notes:
- Others represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, 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 revisions to reportable segments

As stated in "II. First three months of FY2021, 2. Information related to revisions to reportable segments."

3. 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.

Significant gain on bargain purchase

Not applicable.

II. First three months of FY2021 (from Apr. 1, 2020 to Jun. 30, 2020)

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	26,767	20,419	1,504	48,691	983	-	49,673
Inter-segment sales and transfers	8	-	239	248	261	(509)	-
Total	26,775	20,419	1,744	48,938	1,244	(509)	49,673
Segment profit (loss)	4,741	(545)	215	4,412	(29)	(271)	4,112

- Notes:
- Others represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
 - The adjustment of (271) million yen to segment profit (loss) includes 18 million yen in eliminations for inter-segment transactions and (290) 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 revisions to reportable segments

Beginning with the first quarter of the current fiscal year, the casting business, which was previously included in the domestic steel business, is included in others. This revision is a result of a reexamination of the Kyoei Steel Group's administrative units since Yodoshi Corporation and VINA-JAPAN ENGINEERING LTD, which were non-consolidated subsidiaries in prior years and operate the casting business, are included in scope of consolidation beginning with the current fiscal year.

The segment information for the first three months of FY2020 is prepared based on the revised business segments.

3. 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.

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.