

Consolidated Financial Results for the of Fiscal Year Ended March 31, 2017 (Fiscal Year 2017)

<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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 Date of the annual shareholders' meeting: June 26, 2017
 Scheduled date of filing of annual securities report (Japanese version only): June 27, 2017
 Scheduled date of payment of dividend: June 12, 2017
 Preparation of supplementary materials for financial results: None

(Millions of yen with fractional amounts rounded off, unless otherwise noted)

1. Consolidated Financial Results for Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results (Percentages for net sales and incomes 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 2017	145,991	(9.3)	7,971	(42.2)	7,935	(44.0)	4,783	(43.5)
Fiscal Year 2016	160,952	(11.3)	13,792	16.9	14,161	13.4	8,467	22.3

Note: Comprehensive income Fiscal Year 2017: 5,449 million yen (down 21.1%)
 Fiscal Year 2016: 6,906 million yen (down 32.1%)

	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 2017	110.41	-	3.5	3.8	5.5
Fiscal Year 2016	194.94	-	6.4	7.0	8.6

Reference: Equity in earnings (losses) of affiliates Fiscal Year 2017: 112 million yen Fiscal Year 2016: 468 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 2017	214,341	146,662	64.6	3,192.02
Fiscal Year 2016	200,436	143,089	67.3	3,115.86

Reference: Shareholders' equity Fiscal Year 2017: 138,364 million yen Fiscal Year 2016: 134,885 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 2017	6,889	(16,016)	6,572	36,740
Fiscal Year 2016	17,227	(10,792)	(1,522)	39,596

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 2016	-	10.00	-	35.00	45.00	1,956	23.1	1.5
Fiscal Year 2017	-	10.00	-	20.00	30.00	1,304	27.2	1.0
Fiscal Year 2018 (Forecast)	-	10.00	-	20.00	30.00		32.5	

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
First half	89,000	25.0	2,500	(52.8)	2,400	(54.6)	1,200	(61.1)	27.70
Full year	183,000	25.4	7,000	(12.2)	6,500	(18.1)	4,000	(16.4)	92.34

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (Vinton Steel LLC) 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 2017: 44,898,730 shares Fiscal Year 2016 44,898,730 shares

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

Fiscal Year 2017: 1,551,786 shares Fiscal Year 2016 1,608,855 shares

3) Average number of shares outstanding during the period

Fiscal Year 2017: 43,318,957 shares Fiscal Year 2016 43,435,215 shares

Note: Numbers of treasury shares include the Company's stock held by the Employee Stock Ownership Association Support Trust.

(For reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

(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 2017	77,282	(16.9)	5,616	(44.4)	6,385	(40.8)	4,613	(22.4)
Fiscal Year 2016	92,983	(18.9)	10,097	4.9	10,783	1.1	5,945	(6.3)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Fiscal Year 2017	106.49	-
Fiscal Year 2016	136.86	-

(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 2017	138,996	117,746	84.7	2,716.36
Fiscal Year 2016	135,954	114,566	84.3	2,646.50

Reference: Shareholders' equity Fiscal Year 2017: 117,746 million yen Fiscal Year 2016: 114,566 million yen

Reason for differences between non-consolidated financial results for fiscal year 2016 and 2017

The main reason for differences between financial results in the past two fiscal years is a decline in selling prices of products in the Domestic Steel Business.

*The current financial report is not subject to audit 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.

Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2016 (as of Mar. 31, 2016)	FY2017 (as of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	14,739	39,446
Notes and accounts receivable-trade	31,934	35,584
Securities	30,000	8,400
Merchandise and finished goods	14,928	15,573
Raw materials and supplies	9,691	13,664
Deferred tax assets	538	410
Other	3,027	2,944
Allowance for doubtful accounts	(178)	(115)
Total current assets	104,680	115,906
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,381	43,014
Accumulated depreciation	(26,224)	(24,846)
Buildings and structures, net	18,157	18,167
Machinery, equipment and vehicles	110,591	110,702
Accumulated depreciation	(75,481)	(72,887)
Machinery, equipment and vehicles, net	35,110	37,815
Land	25,120	23,993
Construction in progress	708	773
Other	2,373	2,349
Accumulated depreciation	(1,813)	(1,723)
Other, net	560	626
Total property, plant and equipment	79,656	81,374
Intangible assets	1,214	1,659
Investments and other assets		
Investment securities	10,669	11,116
Long-term loans receivable	398	407
Net defined benefit asset	108	176
Deferred tax assets	615	323
Other	3,160	3,443
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,886	15,401
Total non-current assets	95,756	98,434
Total assets	200,436	214,341

(Unit: millions of yen)

	FY2016 (as of Mar. 31, 2016)	FY2017 (as of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,251	11,967
Short-term loans payable	13,525	24,388
Current portion of long-term loans payable	2,585	3,041
Income taxes payable	1,975	949
Deferred tax liabilities	3	0
Provision for bonuses	714	701
Provision for directors' bonuses	178	110
Provision for loss on business liquidation	110	-
Other	8,883	8,877
Total current liabilities	37,225	50,034
Non-current liabilities		
Long-term loans payable	17,036	13,427
Deferred tax liabilities	82	920
Deferred tax liabilities for land revaluation	2,592	2,433
Provision for directors' retirement benefits	8	9
Net defined benefit liability	88	76
Other	314	779
Total non-current liabilities	20,121	17,644
Total liabilities	57,346	67,678
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	88,546	91,730
Treasury shares	(2,025)	(1,915)
Total shareholders' equity	126,529	129,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,312	1,952
Deferred gains or losses on hedges	-	40
Revaluation reserve for land	4,974	4,618
Foreign currency translation adjustment	2,229	1,930
Remeasurements of defined benefit plans	(159)	2
Total accumulated other comprehensive income	8,356	8,542
Non-controlling interests	8,204	8,298
Total net assets	143,089	146,662
Total liabilities and net assets	200,436	214,341

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

(Unit: millions of yen)

	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)
Net sales	160,952	145,991
Cost of sales	137,063	127,265
Gross profit	23,889	18,726
Selling, general and administrative expenses	10,097	10,755
Operating profit	13,792	7,971
Non-operating income		
Interest income	297	288
Dividend income	222	222
Share of profit of entities accounted for using equity method	468	112
Other	218	257
Total non-operating income	1,205	880
Non-operating expenses		
Interest expenses	578	723
Sales discounts	36	25
Foreign exchange losses	161	80
Other	60	88
Total non-operating expenses	836	916
Ordinary profit	14,161	7,935
Extraordinary income		
Gain on sales and retirement of non-current assets	18	566
Reversal of provision for loss on business liquidation	231	-
Other	-	19
Total extraordinary income	249	585
Extraordinary losses		
Loss on sales and retirement of non-current assets	435	520
Loss on sales of investment securities	-	94
Impairment loss	1,401	-
Loss on liquidation of business	122	120
Other	20	87
Total extraordinary losses	1,978	821
Profit before income taxes	12,432	7,698
Income taxes-current	3,850	1,836
Income taxes-deferred	440	722
Total income taxes	4,291	2,558
Profit	8,142	5,141
Profit (loss) attributable to non-controlling interests	(326)	358
Profit attributable to owners of parent	8,467	4,783

(Consolidated Statements of Comprehensive Income)

(Unit: millions of yen)

	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)
Profit	8,142	5,141
Other comprehensive income		
Valuation difference on available-for-sale securities	(947)	640
Deferred gains or losses on hedges	-	88
Revaluation reserve for land	139	-
Foreign currency translation adjustment	113	(580)
Remeasurements of defined benefit plans, net of tax	(541)	161
Total other comprehensive income	(1,235)	308
Comprehensive income	6,906	5,449
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	7,187	5,325
Comprehensive income attributable to non-controlling interests	(281)	124

(3) Consolidated Statements of Changes in Equity

FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)

(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	81,600	(1,699)	119,909
Changes of items during period					
Dividends of surplus			(1,521)		(1,521)
Profit attributable to owners of parent			8,467		8,467
Purchase of treasury shares				(339)	(339)
Disposal of treasury shares				13	13
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	6,946	(326)	6,620
Balance at end of current period	18,516	21,493	88,546	(2,025)	126,529

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,259	4,835	2,160	382	9,637	8,507	138,052
Changes of items during period							
Dividends of surplus							(1,521)
Profit attributable to owners of parent							8,467
Purchase of treasury shares							(339)
Disposal of treasury shares							13
Net changes of items other than shareholders' equity	(947)	139	68	(541)	(1,280)	(303)	(1,583)
Total changes of items during period	(947)	139	68	(541)	(1,280)	(303)	5,037
Balance at end of current period	1,312	4,974	2,229	(159)	8,356	8,204	143,089

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

(4) Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	12,432	7,698
Depreciation	5,026	5,961
Impairment loss	1,401	-
Increase (decrease) in provision	71	(151)
Increase (decrease) in net defined benefit liability	31	(11)
Share of (profit) loss of entities accounted for using equity method	(468)	(112)
Loss (gain) on sales of investment securities	-	94
Loss (gain) on sales and retirement of non-current assets	417	(46)
Interest and dividend income	(519)	(510)
Interest expenses	578	723
Decrease (increase) in notes and accounts receivable-trade	5,912	(2,685)
Decrease (increase) in inventories	2,079	(2,747)
Increase (decrease) in notes and accounts payable-trade	(3,140)	2,150
Increase (decrease) in accrued consumption taxes	(832)	(651)
Decrease (increase) in net defined benefit asset	66	138
Other, net	82	100
Subtotal	23,136	9,951
Interest and dividend income received	621	612
Interest expenses paid	(595)	(706)
Income taxes paid	(5,935)	(2,968)
Net cash provided by (used in) operating activities	17,227	6,889
Cash flows from investing activities		
Payments into time deposits	(660)	(5,965)
Proceeds from withdrawal of time deposits	925	710
Purchase of securities	(9,100)	(13,716)
Proceeds from sales of securities	9,300	13,516
Purchase of investment securities	(2)	(250)
Proceeds from sales and redemption of investment securities	1	754
Payments of deposit	(1,001)	(1,204)
Proceeds from withdrawal deposit	901	1,101
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(5,612)
Purchase of shares of subsidiaries	-	(110)
Purchase of investments in capital of subsidiaries	(1,216)	(252)
Payments of loans receivable	(53)	(279)
Collection of loans receivable	83	118
Purchase of property, plant and equipment	(9,346)	(6,724)
Proceeds from sales of property, plant and equipment	23	2,343
Purchase of intangible assets	(216)	(225)
Other, net	(432)	(222)
Net cash provided by (used in) investing activities	(10,792)	(16,016)

(Unit: millions of yen)

	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)	FY2017 (from Apr. 1, 2016 to Mar. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,096	10,975
Proceeds from long-term loans payable	339	-
Repayments of long-term loans payable	(2,086)	(2,520)
Repayments of installment payables	(2)	(7)
Purchase of treasury shares	(339)	(0)
Proceeds from disposal of treasury shares	13	110
Cash dividends paid	(1,521)	(1,956)
Dividends paid to non-controlling interests	(22)	(30)
Net cash provided by (used in) financing activities	(1,522)	6,572
Effect of exchange rate change on cash and cash equivalents	(300)	(302)
Net increase (decrease) in cash and cash equivalents	4,614	(2,857)
Cash and cash equivalents at beginning of period	34,982	39,596
Cash and cash equivalents at end of period	39,596	36,740

(5) Notes to Consolidated Financial Statements

Segment and Other Information

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.

The Domestic Steel Business manufactures and sells steel products, mainly for domestic building construction and civil engineering, and has a cargo transportation business. The Overseas Steel Business manufactures and sells steel products, mainly for building construction and civil engineering overseas. The Material Recycling Business 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

FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5, 6)	Amounts shown on the consolidated financial statements (Note 7)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	107,642	46,035	6,956	160,633	319	-	160,952
Inter-segment sales and transfers	2,221	-	1,821	4,042	-	(4,042)	-
Total	109,862	46,035	8,777	164,675	319	(4,042)	160,952
Segment income	12,507	744	1,389	14,641	20	(869)	13,792
Segment assets	97,414	47,951	6,363	151,727	3,428	45,281	200,436
Other items							
Depreciation	3,289	1,426	224	4,939	15	71	5,026
Impairment loss	-	1,392	-	1,392	-	9	1,401
Increase in property, plant and equipment and intangible assets	3,421	6,177	410	10,009	9	86	10,104

- 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 (869) million yen to segment income includes 183 million yen in eliminations for inter-segment transactions and (1,052) 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 45,281 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 71 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 9 million yen to depreciation is related to corporate assets that are not allocated to reportable segments.
6. The adjustment of 86 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.
7. Segment income is adjusted to be consistent with operating profit shown on the consolidated financial statements.

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	103,185	62,811	6,590	172,585	2,913	38,842	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 38,842 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.

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.