

Consolidated Financial Results for the Second Quarter of Fiscal 2014
(from April 1, 2013 to September 30, 2013)
<Under Japanese GAAP>

October 31, 2013

Company name: Kyoei Steel, Ltd.
 Stock exchange listed: Tokyo, 1st section
 Stock code: 5440
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Date to commence dividend payments: December 10, 2013

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

1. Consolidated financial results for the second quarter of Fiscal 2014
(from April 1, 2013 to September 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second quarter of Fiscal 2014	77,175	8.2	417	(81.6)	459	(80.8)	(145)	-
Second quarter of Fiscal 2013	71,303	11.9	2,274	269.1	2,395	147.2	1,244	179.0

(Note) Comprehensive income (loss) 2Q of Fiscal 2014: 1,333 million yen (91.3%) 2Q of Fiscal 2013: 697 million yen (- %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second quarter of Fiscal 2014	(3.33)	-
Second quarter of Fiscal 2013	28.60	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
Second quarter of Fiscal 2014	171,614	127,518	71.5
Fiscal 2013	165,129	125,257	74.2

(Reference) Shareholders' equity 2Q of Fiscal 2014: 122,756 million yen Fiscal 2013: 122,516 million yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	-	5.00	-	15.00	20.00
Fiscal 2014	-	5.00			
Fiscal 2014 (Forecast)			-	15.00	20.00

(Note) Revisions to the cash dividends in the current quarter: None

3. Forecasts of Consolidated Earnings for Fiscal 2014 (from April 1, 2013 to March 31, 2014)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	%
Full year	158,000	11.0	2,900	(33.2)	3,200	(31.5)	1,500	(27.5)	34.51

(Note) 1. Revisions to the forecasts of consolidated earnings in the current quarter: None

2. These forecasts are based on information available as at the date of publication for this document and certain assumptions regarding factors for uncertainty that would influence future results as at the date of publication. Actual results may vary significantly from these forecasts due to various factors.

Consolidated quarterly balance sheets

(Unit: Millions of yen)

	FY2013 (as of Mar. 31, 2013)	Second quarter of FY2014 (as of Sep. 30, 2013)
Assets		
Current assets		
Cash and deposits	15,923	27,679
Notes and accounts receivable-trade	35,695	31,271
Securities	14,000	8,400
Merchandise and finished goods	12,564	13,331
Raw materials and supplies	7,829	7,902
Other	1,970	3,730
Allowance for doubtful accounts	(48)	(39)
Total current assets	<u>87,933</u>	<u>92,274</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,311	13,535
Machinery, equipment and vehicles, net	19,299	19,124
Land	26,748	26,491
Other, net	1,171	2,002
Total property, plant and equipment	<u>60,530</u>	<u>61,152</u>
Intangible assets	1,258	1,204
Investments and other assets		
Investment securities	13,227	11,544
Other	2,263	5,516
Allowance for doubtful accounts	(83)	(76)
Total investments and other assets	<u>15,407</u>	<u>16,984</u>
Total noncurrent assets	<u>77,196</u>	<u>79,340</u>
Total assets	<u>165,129</u>	<u>171,614</u>

(Unit: Millions of yen)

	FY2013 (as of Mar. 31, 2013)	Second quarter of FY2014 (as of Sep. 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,151	10,776
Short-term loans payable	6,041	11,333
Current portion of long-term loans payable	130	76
Income taxes payable	736	185
Provision for bonuses	636	759
Provision for directors' bonuses	42	4
Other	6,557	6,526
Total current liabilities	30,293	29,659
Noncurrent liabilities		
Long-term loans payable	5,047	9,471
Deferred tax liabilities	548	1,035
Deferred tax liabilities for land revaluation	3,492	3,492
Provision for retirement benefits	127	86
Provision for directors' retirement benefits	16	17
Other	347	334
Total noncurrent liabilities	9,578	14,436
Total liabilities	39,871	44,096
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	77,300	76,503
Treasury stock	(1,699)	(1,699)
Total shareholders' equity	115,610	114,813
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,324	2,049
Deferred gains or losses on hedges	117	95
Revaluation reserve for land	5,330	5,330
Foreign currency translation adjustment	135	470
Total accumulated other comprehensive income	6,906	7,943
Minority interests	2,742	4,762
Total net assets	125,257	127,518
Total liabilities and net assets	165,129	171,614

Consolidated quarterly statements of income

(Unit: Millions of yen)

	Second quarter of FY2013 (from Apr. 1, 2012 to Sep. 30, 2012)	Second quarter of FY2014 (from Apr. 1, 2013 to Sep. 30, 2013)
Consolidated quarterly statements of (comprehensive) income		
Net sales	71,303	77,175
Cost of sales	64,600	72,253
Gross profit	6,703	4,923
Selling, general and administrative expenses	4,429	4,505
Operating income	2,274	417
Non-operating income		
Interest income	133	211
Dividends income	80	81
Equity in earnings of affiliates	39	
Other	174	170
Total non-operating income	427	462
Non-operating expenses		
Interest expenses	271	203
Sales discounts	20	20
Equity in losses of affiliates		182
Other	14	15
Total non-operating expenses	305	420
Ordinary income	2,395	459
Extraordinary income		
Gain on sales and retirement of noncurrent assets	15	18
Total extraordinary income	15	18
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	210	280
Loss on sales of investment securities	83	
Loss on abandonment of inventories	25	10
Other	29	4
Total extraordinary losses	347	294
Income before income taxes and minority interests	2,063	184
Income taxes	702	149
Income before minority interests	1,361	35
Minority interests in income	116	180
Net income (loss)	1,244	(145)

Consolidated quarterly statements of comprehensive income

(Unit: Millions of yen)

	Second quarter of FY2013 (from Apr. 1, 2012 to Sep. 30, 2012)	Second quarter of FY2014 (from Apr. 1, 2013 to Sep. 30, 2013)
Income before minority interests	1,361	35
Other comprehensive income		
Valuation difference on available-for-sale securities	(670)	725
Deferred gains or losses on hedges	(47)	(23)
Foreign currency translation adjustment	53	596
Share of other comprehensive income of associates accounted for using equity method	0	
Total other comprehensive income	(664)	1,298
Comprehensive income	697	1,333
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	551	893
Comprehensive income attributable to minority interests	145	440

Consolidated quarterly statements of cash flows

(Unit: Millions of yen)

	Second quarter of FY2013 (from Apr. 1, 2012 to Sep. 30, 2012)	Second quarter of FY2014 (from Apr. 1, 2013 to Sep. 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,063	184
Depreciation and amortization	2,146	2,005
Increase (decrease) in provision	166	27
Equity in (earnings) losses of affiliates	(39)	182
Loss (gain) on sales and redemption of investment securities	83	
Loss (gain) on valuation of investment securities	29	
Loss (gain) on sales and retirement of noncurrent assets	195	262
Interest and dividends income	(213)	(293)
Interest expenses	271	203
Decrease (increase) in notes and accounts receivable-trade	3,776	4,735
Decrease (increase) in inventories	(329)	(381)
Increase (decrease) in notes and accounts payable-trade	(3,269)	(5,463)
Other, net	(930)	(724)
Subtotal	3,950	736
Interest and dividends income received	228	294
Interest expenses paid	(244)	(207)
Income taxes (paid) refund	(1,641)	(716)
Net cash provided by (used in) operating activities	2,293	106
Net cash provided by (used in) investing activities		
Payments into time deposits	(576)	(710)
Proceeds from withdrawal of time deposits	1,300	328
Purchase of securities	(1,300)	
Proceeds from sales and redemption of securities	800	
Purchase of investment securities	(1,262)	(1)
Proceeds from sales and redemption of investment securities	73	
Payments of deposit	(100)	(1)
Proceeds from withdrawal deposit		100
Payments of loans receivable	(54)	(1,512)
Collection of loans receivable	767	55
Purchase of property, plant and equipment	(1,346)	(2,079)
Proceeds from sales of property, plant and equipment	23	16
Purchase of intangible assets	(59)	(29)
Other, net	(62)	(326)
Net cash provided by (used in) investing activities	(1,796)	(4,158)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	674	4,317
Proceeds from long-term loans payable		4,302
Repayment of long-term loans payable	(69)	(71)
Repayments of installment payables	(3)	(3)
Purchase of treasury stock		0
Cash dividends paid	(652)	(652)
Proceeds from stock issuance to minority shareholders		1,615
Cash dividends paid to minority shareholders	(28)	(35)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(80)	9,471
Effect of exchange rate change on cash and cash equivalents	(14)	713
Net increase (decrease) in cash and cash equivalents	403	6,132
Cash and cash equivalents at beginning of period	23,220	29,216
Cash and cash equivalents at end of period	23,623	35,348