

**Consolidated Financial Results**  
**for the First Quarter of Fiscal Year Ending March 31, 2016 (Fiscal Year 2016)**  
**(Three Months Ended June 30, 2015)**

<Under Japanese GAAP>

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 Scheduled date of filing of Quarterly Report: August 11, 2015  
 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, 2015 to June 30, 2015) of Fiscal Year 2016**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2015	41,762	(7.3)	3,575	32.1	3,682	22.2	2,450	29.5
Three months ended Jun. 30, 2014	45,042	17.1	2,706	348.4	3,014	353.2	1,891	682.7

Note: Comprehensive income Three months ended Jun. 30, 2015: 2,672 million yen (up 23.4%)  
 Three months ended Jun. 30, 2014: 2,166 million yen (up 176.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2015	56.36	-
Three months ended Jun. 30, 2014	43.51	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2015	200,728	139,615	65.4
As of Mar. 31, 2015	201,760	138,052	64.2

Reference: Shareholders' equity As of Jun. 30, 2015: 131,223 million yen As of Mar. 31, 2015: 129,546 million yen

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2015	-	10.00	-	25.00	35.00
Fiscal Year 2016	-	-	-	-	-
Fiscal Year 2016 (Forecast)	-	10.00	-	20.00	30.00

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

**3. Forecasts of Consolidated Earnings for Fiscal Year 2016 (from April 1, 2015 to March 31, 2016)**

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

	Net sales		Operating income		Ordinary income		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	84,000	(7.8)	6,950	34.4	7,000	29.9	4,500	41.7	103.55
Full year	176,000	(3.0)	11,200	(5.0)	11,000	(11.9)	6,900	(0.3)	158.77

Note: Revisions to the most recently announced dividend 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

Note: Please refer to “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 4 of the attachments for further information.

(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, 2015:	44,898,730 shares	As of Mar. 31, 2015:	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2015:	1,439,389 shares	As of Mar. 31, 2015:	1,439,389 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2015:	43,459,341 shares	Three months ended Jun. 30, 2014:	43,459,419 shares
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\* Information regarding the implementation of quarterly review procedures

At the time when this report was released, the review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act have not been completed.

\* 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 for uncertainty that would influence future results at the date of publication. Actual results may vary significantly from these forecasts due to a wide range of factors. For discussion of the assumptions for forecasts, notes of caution for usage and other factors, 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 attached documents.

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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, 2016, the Japanese economy recovered slowly overall as improvements in jobs and personal income continued and the economy benefited from the lower cost of crude oil. However, in the market for steel construction materials, the primary source of demand for the Kyoei Steel Group's products, demand was sluggish due to low levels of activity in both the building construction and civil engineering sectors. In response to these market conditions, the Kyoei Steel Group focused on holding the product prices steady by keeping production and sales activities in line with demand while continuing to cut the cost of manufacturing.

Consequently, consolidated sales decreased by 3,280 million yen (7.3%) to 41,762 million yen. Operating income was up by 868 million yen (32.1%) to 3,575 million yen, ordinary income increased by 668 million yen (22.2%) to 3,682 million yen, and profit attributable to owners of parent increased 559 million yen (29.5%) to 2,450 million yen.

Results by business segment are as follows.

Reportable segments have been revised beginning with the first quarter of the current fiscal year. Comparisons and analysis of first quarter segment performance are based on the revised segments. More information is provided in "2. Revisions to reportable segments" in Segment and Other Information on page 10.

#### 1) Domestic Steel Business

Shipments increased 8,000 tons from one year earlier to 429,000 tons, including a 15,000 ton increase in export shipments to 19,000 tons. Product prices decreased 6,300 yen (9.5%) per ton but price of steel scrap, the primary raw material, fell 7,700 yen (22.9%) per ton, a larger than expected decline. Therefore, metal spread, which is the difference between steel product prices and steel scrap price, which is the source of earnings in this segment, widened 1,300 yen (4.1%).

Segment sales decreased by 3,862 million yen (11.2%) to 30,733 million yen and operating income was up by 859 million yen (33.9%) to 3,391 million yen.

#### 2) Overseas Steel Business

This segment includes the operations of Vina Kyoei Steel Ltd. (VKS), which is located in southern Vietnam, and Kyoei Steel Vietnam Company Limited (KSVC), which is located in northern Vietnam. VKS is performing well due to strong demand for steel products in southern Vietnam and sales activities in anticipation of the completion of an integrated steelmaking and rolling line that was under construction were well. At KSVC, metal spread narrowed because of intense competition in northern Vietnam.

Segment sales increased by 502 million yen (5.8%) to 9,116 million yen and operating loss decreased by 48 million yen (compared with operating income of 45 million yen one year earlier) to 2 million yen.

#### 3) Material Recycling Business

As competition remained intense, this segment continued to concentrate on receiving orders for processing of materials that are difficult to dispose and thus have higher unit processing fees, and orders from new customers. Segment sales increased by 96 million yen (5.5%) to 1,843 million yen and operating income increased by 7 million yen (1.8%) to 374 million yen.

#### 4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales decreased by 16 million yen (18.7%) to 71 million yen but operating income was up 5 million yen (compared

with operating loss of 2 million yen one year earlier) to 4 million yen.

## **(2) Explanation of Financial Position**

### **Assets**

Current assets decreased by 3,437 million yen, or 3.2%, from the end of the previous fiscal year to 105,229 million yen. This was attributable mainly to an increase of 965 million yen in merchandise and finished goods, and decreases of 1,578 million yen in cash and deposits and 2,100 million yen in securities.

Non-current assets increased by 2,405 million yen, or 2.6%, from the end of the previous fiscal year to 95,499 million yen. This was mainly attributable to an increase of 2,329 million yen in other, net under property, plant and equipment.

Total assets decreased by 1,032 million yen, or 0.5%, from the end of the previous fiscal year to 200,728 million yen.

### **Liabilities**

Current liabilities decreased by 2,122 million yen, or 5.3%, from the end of the previous fiscal year to 38,182 million yen. This was attributable mainly to an increase of 1,957 million yen in short-term loans payable, and decreases of 3,178 million yen in income taxes payable and 567 million yen in other.

Non-current liabilities decreased by 473 million yen, or 2.0 %, from the end of the previous fiscal year to 22,931 million yen. This was attributable mainly to a decrease of 401 million yen in long-term loans payable.

Total liabilities decreased by 2,595 million yen, or 4.1%, from the end of the previous fiscal year to 61,113 million yen.

### **Net assets**

Net assets increased by 1,563 million yen, or 1.1%, from the end of the previous fiscal year to 139,615 million yen. This was attributable mainly to profit attributable to owners of parent of 2,450 million yen and dividends of surplus of 1,086 million yen.

As a result, equity to total assets rose from 64.2% to 65.4%.

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

In the first quarter, we were able to maintain a suitable metal spread by keeping production and sales activities in line with demand. In the second quarter (July to September), we anticipate a continuation of weak demand for steel construction materials, but expect first half earnings to be higher than the original outlook because we believe that the cost of steel scrap, a major raw material, will be lower than the original outlook.

In light of this outlook, we are revising the first half and fiscal year forecasts that were announced on April 30, 2015 with results of operations for the previous fiscal year.

In the second quarter, we foresee a continuation of the high cost of electricity and other components of the cost of manufacturing. We also expect an increase in expenses in association with regular maintenance work during the summer of 2015. However, group companies will continue to focus on earning profits by ensuring that production and sales activities match the level of demand.

There is no revision to the forecast for the fiscal year's second half because of the difficulty at this time of predicting market conditions starting in October of this year.

For more information about the forecast, please refer to the press release dated today (July 31, 2015) about forecast revisions (Japanese version only).

## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

### **(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

Not applicable.

### **(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Changes in Accounting Policies

Application of the Accounting Standards for Business Combinations

Effective from the first quarter of the current fiscal year, the Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards. In association with these changes, the presentation of net income and other items has been revised and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year have been revised.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2015 (as of Mar. 31, 2015)	First quarter of FY2016 (as of Jun. 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	21,179	19,601
Notes and accounts receivable-trade	37,848	37,189
Securities	19,600	17,500
Merchandise and finished goods	18,088	19,052
Raw materials and supplies	8,620	8,761
Other	3,475	3,309
Allowance for doubtful accounts	(144)	(184)
Total current assets	108,666	105,229
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,516	13,255
Machinery, equipment and vehicles, net	19,960	19,686
Land	25,186	25,165
Other, net	17,971	20,300
Total property, plant and equipment	76,633	78,406
Intangible assets	1,153	1,170
Investments and other assets		
Investment securities	11,693	12,288
Other	3,685	3,706
Allowance for doubtful accounts	(71)	(71)
Total investments and other assets	15,307	15,923
Total non-current assets	93,094	95,499
<b>Total assets</b>	<b>201,760</b>	<b>200,728</b>

(Unit: millions of yen)

	FY2015 (as of Mar. 31, 2015)	First quarter of FY2016 (as of Jun. 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	12,388	12,387
Short-term loans payable	11,439	13,396
Current portion of long-term loans payable	2,071	2,045
Income taxes payable	4,051	873
Provision for bonuses	698	500
Provision for directors' bonuses	139	29
Other	9,519	8,952
Total current liabilities	40,303	38,182
Non-current liabilities		
Long-term loans payable	19,296	18,894
Deferred tax liabilities	689	641
Deferred tax liabilities for land revaluation	2,731	2,730
Provision for directors' retirement benefits	21	21
Provision for loss on business liquidation	298	298
Net defined benefit liability	57	58
Other	312	288
Total non-current liabilities	23,404	22,931
Total liabilities	63,708	61,113
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	81,600	82,963
Treasury shares	(1,699)	(1,699)
Total shareholders' equity	119,909	121,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,259	2,628
Revaluation reserve for land	4,835	4,837
Foreign currency translation adjustment	2,160	2,107
Remeasurements of defined benefit plans	382	380
Total accumulated other comprehensive income	9,637	9,951
Non-controlling interests	8,507	8,392
Total net assets	138,052	139,615
Total liabilities and net assets	201,760	200,728

**(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 FY2015 (from Apr. 1, 2014 to Jun. 30, 2014)	First three months of FY2016 (from Apr. 1, 2015 to Jun. 30, 2015)
Net sales	45,042	41,762
Cost of sales	39,754	35,624
Gross profit	5,288	6,138
Selling, general and administrative expenses	2,581	2,563
Operating income	2,706	3,575
Non-operating income		
Interest income	162	65
Dividend income	99	102
Share of profit of entities accounted for using equity method	104	104
Other	80	38
Total non-operating income	446	309
Non-operating expenses		
Interest expenses	114	120
Foreign exchange losses	-	56
Other	24	25
Total non-operating expenses	138	202
Ordinary income	3,014	3,682
Extraordinary income		
Gain on sales and retirement of non-current assets	4	4
Total extraordinary income	4	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	83	105
Other	0	10
Total extraordinary losses	84	115
Income before income taxes and minority interests	2,934	3,571
Income taxes	973	1,170
Profit	1,962	2,401
Profit (loss) attributable to non-controlling interests	71	(49)
Profit attributable to owners of parent	1,891	2,450

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

(Unit: millions of yen)

	First three months of FY2015 (from Apr. 1, 2014 to Jun. 30, 2014)	First three months of FY2016 (from Apr. 1, 2015 to Jun. 30, 2015)
Profit	1,962	2,401
Other comprehensive income		
Valuation difference on available-for-sale securities	482	369
Foreign currency translation adjustment	(286)	(97)
Revaluation reserve for land	-	1
Remeasurements of defined benefit plans, net of tax	8	(2)
Total other comprehensive income	204	271
Comprehensive income	2,166	2,672
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,238	2,764
Comprehensive income attributable to non-controlling interests	(72)	(92)

**(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 three months of FY2015 (from Apr. 1, 2014 to Jun. 30, 2014)

1. Information related to net sales, profit/loss for each reportable segment

(Unit: millions of yen)

	Reportable segment				Others (Note 1)	Adjustment (Notes 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	34,594	8,614	1,747	44,955	87	-	45,042
Inter-segment sales and transfers	52	-	568	620	-	(620)	-
Total	34,646	8,614	2,315	45,576	87	(620)	45,042
Segment income (loss)	2,532	45	368	2,945	(2)	(237)	2,706

- 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 (237) million yen to segment income (loss) includes 21 million yen in eliminations for inter-segment transactions and (258) 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 income (loss) are adjusted to be consistent with operating income 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

Not applicable.

Significant gain on bargain purchase

Not applicable.

## II. First three months of FY2016 (from Apr. 1, 2015 to Jun. 30, 2015)

## 1. Information related to net sales, profit/loss for each reportable segment

(Unit: millions of yen)

	Reportable segment				Others (Note 1)	Adjustment (Notes 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	30,733	9,116	1,843	41,691	71	-	41,762
Inter-segment sales and transfers	736	-	567	1,303	-	(1,303)	-
Total	31,469	9,116	2,410	42,995	71	(1,303)	41,762
Segment income (loss)	3,391	(2)	374	3,763	4	(192)	3,575

- 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 (192) million yen to segment income (loss) includes 67 million yen in eliminations for inter-segment transactions and (259) 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 income (loss) are adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

## 2. Revisions to reportable segments

Reportable segments have been revised beginning with the first three months of FY2016.

In prior fiscal years, the Kyoei Steel Group had three reportable segments: Steel, Material Recycling and Others. From the current fiscal year, the Steel Segment is divided into Japan Steel and Overseas Steel segments because the outlook for growth in the scale of operations in Vietnam following the planned completion in this fiscal year of the second steelmaking and rolling line at Vina Kyoei Steel. Also, in prior fiscal years, the Steel segment included recycling operations that involved the sorting and other processing of waste materials that include materials with value, such as steel scrap used to make steel products and non-ferrous scrap containing copper and other materials that are used by companies outside the Kyoei Steel Group. Due to the similarity of these recycling operations and the operations included in the Material Recycling segment, the recycling operations previously in the Steel segment have been moved to the Material Recycling segment.

In addition, Others is no longer a reportable segment because its sales and earnings are not significant. This former segment is still called Others but it is not a reportable segment.

Segment information for the first three months of FY2015 was prepared using the revised 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

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.*