

**Consolidated Financial Results**  
**for the Second Quarter of Fiscal Year Ending March 31, 2017 (Fiscal Year 2017)**  
**(Six Months Ended September 30, 2016)**

<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: November 11, 2016  
 Scheduled date of payment of dividend: December 8, 2016  
 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 Second Quarter (from April 1, 2016 to September 30, 2016)**  
**of Fiscal Year 2017**

(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	%
Six months ended Sep. 30, 2016	71,178	(14.6)	5,294	(25.1)	5,290	(27.3)	3,082	(31.5)
Six months ended Sep. 30, 2015	83,388	(8.4)	7,069	36.7	7,278	35.1	4,499	41.6

Note: Comprehensive income Six months ended Sep. 30, 2016: 1,299 million yen (down 70.2%)  
 Six months ended Sep. 30, 2015: 4,363 million yen (up 37.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	71.16	-
Six months ended Sep. 30, 2015	103.52	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Sep. 30, 2016	193,470	142,853	69.9
As of Mar. 31, 2016	200,436	143,089	67.3

Reference: Shareholders' equity As of Sep. 30, 2016: 135,319 million yen As of Mar. 31, 2016: 134,885 million yen

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2016	-	10.00	-	35.00	45.00
Fiscal Year 2017	-	10.00	-	-	-
Fiscal Year 2017 (Forecast)	-	-	-	20.00	30.00

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

**3. Forecasts of Consolidated Earnings for Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)**

(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
Full year	142,000	(11.8)	10,100	(26.8)	10,000	(29.4)	6,200	(26.8)	143.17

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 Sep. 30, 2016:	44,898,730 shares	As of Mar. 31, 2016	44,898,730 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2016:	1,575,624 shares	As of Mar. 31, 2016	1,608,855 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	43,304,001 shares	Six months ended Sep. 30, 2015	43,459,333 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 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****(1) Quarterly Consolidated Balance Sheets**

	(Unit: millions of yen)	
	FY2016 (as of Mar. 31, 2016)	Second quarter of FY2017 (as of Sep. 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	14,739	23,094
Notes and accounts receivable-trade	31,934	29,717
Securities	30,000	21,877
Merchandise and finished goods	14,928	13,702
Raw materials and supplies	9,691	10,477
Other	3,565	3,287
Allowance for doubtful accounts	(178)	(87)
Total current assets	104,680	102,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,157	17,112
Machinery, equipment and vehicles, net	35,110	31,870
Land	25,120	25,085
Other, net	1,268	1,603
Total property, plant and equipment	79,656	75,670
Intangible assets	1,214	1,236
Investments and other assets		
Investment securities	10,669	10,541
Other	4,281	4,019
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,886	14,497
Total non-current assets	95,756	91,403
<b>Total assets</b>	<b>200,436</b>	<b>193,470</b>

(Unit: millions of yen)

	FY2016 (as of Mar. 31, 2016)	Second quarter of FY2017 (as of Sep. 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,251	9,596
Short-term loans payable	13,525	12,083
Current portion of long-term loans payable	2,585	2,768
Income taxes payable	1,975	645
Provision for bonuses	714	1,033
Provision for directors' bonuses	178	67
Provision for loss on business liquidation	110	6
Other	8,887	7,474
<b>Total current liabilities</b>	<b>37,225</b>	<b>33,672</b>
Non-current liabilities		
Long-term loans payable	17,036	13,605
Deferred tax liabilities	82	368
Deferred tax liabilities for land revaluation	2,592	2,575
Provision for directors' retirement benefits	8	9
Net defined benefit liability	88	89
Other	314	299
<b>Total non-current liabilities</b>	<b>20,121</b>	<b>16,944</b>
<b>Total liabilities</b>	<b>57,346</b>	<b>50,616</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	88,546	90,144
Treasury shares	(2,025)	(1,961)
<b>Total shareholders' equity</b>	<b>126,529</b>	<b>128,191</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,312	1,146
Revaluation reserve for land	4,974	4,937
Foreign currency translation adjustment	2,229	1,163
Remeasurements of defined benefit plans	(159)	(118)
<b>Total accumulated other comprehensive income</b>	<b>8,356</b>	<b>7,128</b>
Non-controlling interests	8,204	7,534
<b>Total net assets</b>	<b>143,089</b>	<b>142,853</b>
<b>Total liabilities and net assets</b>	<b>200,436</b>	<b>193,470</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****(Quarterly Consolidated Statements of Income)****(For the Six-month Period)**

(Unit: millions of yen)

	First six months of FY2016 (from Apr. 1, 2015 to Sep. 30, 2015)	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)
Net sales	83,388	71,178
Cost of sales	71,297	60,759
Gross profit	12,091	10,419
Selling, general and administrative expenses	5,022	5,125
Operating income	7,069	5,294
Non-operating income		
Interest income	137	101
Dividend income	109	110
Share of profit of entities accounted for using equity method	221	109
Other	133	109
Total non-operating income	599	430
Non-operating expenses		
Interest expenses	213	346
Foreign exchange losses	128	40
Other	49	48
Total non-operating expenses	390	435
Ordinary income	7,278	5,290
Extraordinary income		
Gain on sales and retirement of non-current assets	15	117
Total extraordinary income	15	117
Extraordinary losses		
Loss on sales and retirement of non-current assets	316	336
Loss on liquidation of business	18	94
Other	32	22
Total extraordinary losses	366	452
Profit before income taxes	6,927	4,955
Income taxes	2,134	1,369
Profit	4,793	3,585
Profit attributable to non-controlling interests	294	503
Profit attributable to owners of parent	4,499	3,082

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

(Unit: millions of yen)

	First six months of FY2016 (from Apr. 1, 2015 to Sep. 30, 2015)	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)
Profit	4,793	3,585
Other comprehensive income		
Valuation difference on available-for-sale securities	(714)	(167)
Revaluation reserve for land	1	-
Foreign currency translation adjustment	286	(2,161)
Remeasurements of defined benefit plans, net of tax	(4)	42
Total other comprehensive income	(430)	(2,286)
Comprehensive income	4,363	1,299
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,927	1,891
Comprehensive income attributable to non-controlling interests	436	(592)

**(3) Quarterly Consolidated Statements of Cash Flows**

(Unit: millions of yen)

	First six months of FY2016 (from Apr. 1, 2015 to Sep. 30, 2015)	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,927	4,955
Depreciation	2,115	2,514
Increase (decrease) in provision	335	133
Increase (decrease) in net defined benefit liability	9	4
Share of (profit) loss of entities accounted for using equity method	(221)	(109)
Loss (gain) on sales and retirement of non-current assets	301	219
Interest and dividend income	(245)	(212)
Interest expenses	213	346
Decrease (increase) in notes and accounts receivable-trade	4,201	1,526
Decrease (increase) in inventories	1,816	(1,104)
Increase (decrease) in notes and accounts payable-trade	(1,418)	635
Increase (decrease) in accrued consumption taxes	(1,169)	(564)
Increase (decrease) in net defined benefit asset	55	33
Other, net	(239)	(362)
Subtotal	12,679	8,016
Interest and dividend income received	333	297
Interest expenses paid	(214)	(335)
Income taxes paid	(4,034)	(2,113)
Net cash provided by (used in) operating activities	8,763	5,865
<b>Cash flows from investing activities</b>		
Payments into time deposits	(608)	(3,076)
Proceeds from withdrawal of time deposits	616	365
Purchase of securities	(4,300)	(975)
Proceeds from sales of securities	5,000	-
Purchase of investment securities	(1)	(1)
Purchase of shares of subsidiaries	-	(110)
Purchase of investments in capital of subsidiaries	-	(252)
Payments of deposit	(1)	(0)
Proceeds from withdrawal deposit	1	1
Payments of loans receivable	(8)	(25)
Collection of loans receivable	23	139
Purchase of property, plant and equipment	(5,285)	(2,907)
Proceeds from sales of property, plant and equipment	9	182
Purchase of intangible assets	(117)	(57)
Other, net	(372)	(143)
Net cash provided by (used in) investing activities	(5,042)	(6,860)

(Unit: millions of yen)

	First six months of FY2016 (from Apr. 1, 2015 to Sep. 30, 2015)	First six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(550)	911
Repayments of long-term loans payable	(1,044)	(1,040)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	-	64
Cash dividends paid	(1,086)	(1,521)
Dividends paid to non-controlling interests	(22)	(30)
Other, net	(1)	(3)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,704)</b>	<b>(1,619)</b>
Effect of exchange rate change on cash and cash equivalents	(3)	(766)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,014</b>	<b>(3,379)</b>
Cash and cash equivalents at beginning of period	34,982	39,596
<b>Cash and cash equivalents at end of period</b>	<b>35,996</b>	<b>36,217</b>



**(4) 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 six months of FY2016 (from Apr. 1, 2015 to Sep. 30, 2015)

1. Information related to net sales, income/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	57,389	22,349	3,504	83,243	145	-	83,388
Inter-segment sales and transfers	1,180	-	976	2,156	-	(2,156)	-
Total	58,569	22,349	4,480	85,398	145	(2,156)	83,388
Segment income	6,024	766	686	7,475	13	(419)	7,069

- 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 -419 million yen to segment income includes 109 million yen in eliminations for inter-segment transactions and -528 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 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 six months of FY2017 (from Apr. 1, 2016 to Sep. 30, 2016)

## 1. Information related to net sales, income/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	44,446	23,326	3,270	71,042	136	-	71,178
Inter-segment sales and transfers	101	-	779	881	-	(881)	-
Total	44,547	23,326	4,050	71,923	136	(881)	71,178
Segment income	3,940	1,476	508	5,924	11	(641)	5,294

- 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 -641 million yen to segment income includes -9 million yen in eliminations for inter-segment transactions and -632 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 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.

*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.*