

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017 (Fiscal Year 2017) (Three Months Ended June 30, 2016)

<Under Japanese GAAP>

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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, 2016 to June 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	%
Three months ended Jun. 30, 2016	36,764	(12.0)	2,584	(27.7)	2,564	(30.4)	1,592	(35.0)
Three months ended Jun. 30, 2015	41,762	(7.3)	3,575	32.1	3,682	22.2	2,450	29.5

Note: Comprehensive income Three months ended Jun. 30, 2016: 473 million yen (down 82.3%)
Three months ended Jun. 30, 2015: 2,672 million yen (up 23.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	36.77	-
Three months ended Jun. 30, 2015	56.36	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Jun. 30, 2016	190,162	142,040	70.5
As of Mar. 31, 2016	200,436	143,089	67.3

Reference: Shareholders' equity As of Jun. 30, 2016: 134,120 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	-	-	-	-	-
Fiscal Year 2017 (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 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
First half	72,000	(13.7)	5,200	(26.4)	5,000	(31.3)	3,000	(33.3)	69.29
Full year	145,000	(9.9)	10,400	(24.6)	10,000	(29.4)	6,200	(26.8)	143.21

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

For more information, please refer to the press release dated today (July 29, 2016) about forecast revisions.

*** 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, 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 Jun. 30, 2016:	1,593,255 shares	As of Mar. 31, 2016	1,608,855 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	43,293,213 shares	Three months ended Jun. 30, 2015	43,459,341 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. 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 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, 2017, the Japanese economy recovered slowly overall as improvements in jobs and personal income continued. However, the economic outlook remained unclear because of the effects of economic downturns in China and other emerging countries in Asia as well as resource-rich countries. In addition, possible effects of BREXIT (British exit from the EU) have also created new concerns.

In the market for steel construction materials, the primary source of demand for the Kyoei Steel Group's products, demand was lackluster in both the building construction and civil engineering sectors. The Kyoei Steel Group continued to cut the cost of manufacturing while keeping production and sales activities in line with demand to maintain a suitable steel product price.

Consolidated sales decreased 4,998 million yen (12.0%) to 36,764 million yen. Operating income decreased 991 million yen (27.7%) to 2,584 million yen, ordinary income decreased 1,119 million yen (30.4%) to 2,564 million yen, and profit attributable to owners of parent decreased 858 million yen (35.0%) to 1,592 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Shipments decreased 2,000 tons from one year earlier to 427,000 tons, including a 14,000 ton increase in export shipments to 32,000 tons. The price of steel scrap, the primary raw material, fell by 3,900 yen (15.3%) per ton but product prices further decreased by 11,400 yen (19.0%) per ton. Therefore, the metal spread, which is the difference between the prices of steel products and steel scrap, and is the source of earnings in this segment, narrowed by 7,500 yen (21.8%) per ton compared with one year earlier.

Segment sales decreased 7,783 million yen (25.3%) to 22,950 million yen and operating income was down 1,491 million yen (44.0%) to 1,900 million yen.

2) Overseas Steel Business

This segment includes the operations of two companies in Vietnam: Vina Kyoei Steel Ltd. (VKS), which is located in southern Vietnam, and Kyoei Steel Vietnam Company Limited (KSVC), which is located in northern Vietnam. The new integrated steelmaking and rolling factory completed at VKS last year became favorably operational at a time when demand for steel in South Vietnam is solid. Sales activities were also favorable. Production and sales at KSVC were also strong as demand for steel, like in South Vietnam, was also strong in the North.

Segment sales increased by 2,850 million yen (31.3%) to 11,966 million yen and operating income increased by 644 million yen (compared with a loss of 2 million yen in the same period of the previous fiscal year) to 642 million yen.

3) Material Recycling Business

Despite activities aimed at receiving orders for high value-added projects for materials that are difficult to process amid an increasingly harsh competition, segment sales decreased 58 million yen (3.1%) to 1,785 million yen and operating income was down 12 million yen (3.2%) to 363 million yen.

4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales decreased by 8 million yen (10.8%) to 63 million yen and operating loss was down 4 million yen (compared with an operating income of 4 million yen in the same period of the previous fiscal year) to 1 million yen.

(2) Explanation of Financial Position

Assets

Current assets decreased by 7,096 million yen, or 6.8%, from the end of the previous fiscal year to 97,584 million yen. This was attributable mainly to an increase of 873 million yen in notes and accounts receivable-trade and decreases of 380 million yen in cash and deposits, 5,868 million yen in securities, and 1,517 million yen in merchandise and finished goods.

Non-current assets decreased by 3,177 million yen, or 3.3%, from the end of the previous fiscal year to 92,578 million yen. This was mainly attributable to decreases of 576 million yen in buildings and structures, 1,923 million yen in machinery, equipment and vehicles, and 632 million yen in investment securities.

Total assets decreased by 10,273 million yen, or 5.1%, from the end of the previous fiscal year to 190,162 million yen.

Liabilities

Current liabilities decreased by 7,607 million yen, or 20.4%, from the end of the previous fiscal year to 29,619 million yen. This was attributable mainly to decreases of 4,129 million yen in short-term loans payable, 1,832 million yen in income taxes payable and 1,405 million yen in other current liabilities.

Non-current liabilities decreased by 1,618 million yen, or 8.0%, from the end of the previous fiscal year to 18,503 million yen. This was attributable mainly to a decrease of 1,745 million yen in long-term loans payable.

Total liabilities decreased by 9,224 million yen, or 16.1%, from the end of the previous fiscal year to 48,122 million yen.

Net assets

Net assets decreased by 1,049 million yen, or 0.7%, from the end of the previous fiscal year to 142,040 million yen. This was attributable mainly to a profit attributable to owners of parent of 1,592 million yen, dividends of surplus of 1,521 million yen, and decreases in valuation difference on available-for-sale securities of 465 million yen and foreign currency translation adjustment of 421 million yen.

As a result, equity to total assets rose from 67.3% to 70.5%.

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

Although sales and earnings in the first quarter were lower than the same period of the previous fiscal year, the performance in the overseas steel business was solid, with consolidated subsidiaries in Vietnam (VKS and KSVC) reporting results exceeding forecasts on back of strong demand for steel in that country.

In the second quarter (July-September), steel demand in Japan is likely to remain sluggish. However, the price of steel scrap, the primary raw material, is less than the initial forecast. For these reasons, earnings in the domestic steel business is expected to be higher than the forecast. In the overseas steel business, earnings, underpinned by strong demand for steel in Vietnam, are likely to be strong.

We are revising the first-half and full-year forecasts for the fiscal year that we announced on April 28, 2016 with results of operations for the fiscal year ended March 31, 2016.

In the second quarter, we expect an increase in expenses in association with regular maintenance work during the summer of 2016. 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, please refer to the press release dated today (July 29, 2016) about forecast revisions.

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

Not applicable.

(4) Additional Information

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets”(Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Unit: millions of yen)	
	FY2016 (as of Mar. 31, 2016)	First quarter of FY2017 (as of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	14,739	14,359
Notes and accounts receivable-trade	31,934	32,808
Securities	30,000	24,132
Merchandise and finished goods	14,928	13,411
Raw materials and supplies	9,691	9,868
Other	3,565	3,152
Allowance for doubtful accounts	(178)	(145)
Total current assets	104,680	97,584
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,157	17,581
Machinery, equipment and vehicles, net	35,110	33,187
Land	25,120	25,060
Other, net	1,268	1,344
Total property, plant and equipment	79,656	77,172
Intangible assets	1,214	1,263
Investments and other assets		
Investment securities	10,669	10,037
Other	4,281	4,169
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,886	14,143
Total non-current assets	95,756	92,578
Total assets	200,436	190,162

(Unit: millions of yen)

	FY2016 (as of Mar. 31, 2016)	First quarter of FY2017 (as of Jun. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,251	8,974
Short-term loans payable	13,525	9,396
Current portion of long-term loans payable	2,585	2,964
Income taxes payable	1,975	144
Provision for bonuses	714	502
Provision for directors' bonuses	178	35
Provision for loss on business liquidation	110	123
Other	8,887	7,481
Total current liabilities	37,225	29,619
Non-current liabilities		
Long-term loans payable	17,036	15,292
Deferred tax liabilities	82	234
Deferred tax liabilities for land revaluation	2,592	2,575
Provision for directors' retirement benefits	8	8
Net defined benefit liability	88	90
Other	314	304
Total non-current liabilities	20,121	18,503
Total liabilities	57,346	48,122
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	88,546	88,655
Treasury shares	(2,025)	(1,995)
Total shareholders' equity	126,529	126,668
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,312	847
Revaluation reserve for land	4,974	4,937
Foreign currency translation adjustment	2,229	1,807
Remeasurements of defined benefit plans	(159)	(138)
Total accumulated other comprehensive income	8,356	7,452
Non-controlling interests	8,204	7,920
Total net assets	143,089	142,040
Total liabilities and net assets	200,436	190,162

(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 FY2016 (from Apr. 1, 2015 to Jun. 30, 2015)	First three months of FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)
Net sales	41,762	36,764
Cost of sales	35,624	31,491
Gross profit	6,138	5,272
Selling, general and administrative expenses	2,563	2,689
Operating income	3,575	2,584
Non-operating income		
Interest income	65	54
Dividend income	102	100
Share of profit of entities accounted for using equity method	104	37
Foreign exchange gains	-	25
Other	38	51
Total non-operating income	309	268
Non-operating expenses		
Interest expenses	120	269
Foreign exchange losses	56	-
Other	25	19
Total non-operating expenses	202	288
Ordinary income	3,682	2,564
Extraordinary income		
Gain on sales and retirement of non-current assets	4	111
Total extraordinary income	4	111
Extraordinary losses		
Loss on sales and retirement of non-current assets	105	100
Loss on liquidation of business	-	60
Other	10	14
Total extraordinary losses	115	173
Profit before income taxes	3,571	2,502
Income taxes	1,170	694
Profit	2,401	1,808
Profit (loss) attributable to non-controlling interests	(49)	216
Profit attributable to owners of parent	2,450	1,592

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

(Unit: millions of yen)

	First three months of FY2016 (from Apr. 1, 2015 to Jun. 30, 2015)	First three months of FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)
Profit	2,401	1,808
Other comprehensive income		
Valuation difference on available-for-sale securities	369	(465)
Foreign currency translation adjustment	(97)	(891)
Revaluation reserve for land	1	-
Remeasurements of defined benefit plans, net of tax	(2)	21
Total other comprehensive income	271	(1,335)
Comprehensive income	2,672	473
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,764	726
Comprehensive income attributable to non-controlling interests	(92)	(254)

(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 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 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	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 profit (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. 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 FY2017 (from Apr. 1, 2016 to Jun. 30, 2016)

1. Information related to net sales, 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	22,950	11,966	1,785	36,701	63	-	36,764
Inter-segment sales and transfers	72	-	409	481	-	(481)	-
Total	23,021	11,966	2,194	37,181	63	(481)	36,764
Segment income (loss)	1,900	642	363	2,904	(1)	(320)	2,584

- 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 -320 million yen to segment income (loss) includes 20 million yen in eliminations for inter-segment transactions and -340 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.

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.