

Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2017 (Fiscal Year 2017)
(Nine Months Ended December 31, 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 Third Quarter (from April 1, 2016 to December 31, 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	%
Nine months ended Dec. 31, 2016	107,067	(12.4)	6,658	(39.9)	6,697	(41.2)	3,837	(40.1)
Nine months ended Dec. 31, 2015	122,275	(9.9)	11,071	33.5	11,381	29.0	6,400	22.0

Note: Comprehensive income Nine months ended Dec. 31, 2016: 2,239 million yen (down 61.5%)

Nine months ended Dec. 31, 2015: 5,823 million yen (down 9.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	88.58	-
Nine months ended Dec. 31, 2015	147.27	-

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets
	Millions of yen	Millions of yen	%
As of Dec. 31, 2016	210,657	143,438	64.7
As of Mar. 31, 2016	200,436	143,089	67.3

Reference: Shareholders' equity As of Dec. 31, 2016: 136,333 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	145,000	(9.9)	8,000	(42.0)	8,000	(43.5)	5,000	(40.9)	115.44

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): Yes

Newly added: 1 (Vinton Steel LLC) Excluded: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” on page 4 of the attachments for further information.

(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 Dec. 31, 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 Dec. 31, 2016:	1,559,353 shares	As of Mar. 31, 2016	1,608,855 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	43,311,439 shares	Nine months ended Dec. 31, 2015	43,459,314 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 attachments.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending March 31, 2017, the Japanese economy recovered gradually despite the slow pace of improvements in some sectors of the economy. There were signs of uncertainty concerning overseas economies, including a shift in economic policies in the United States and Britain and slowing economic growth in China. Uncertainty about the outlook for the Japanese economy is increasing, too.

In the market for steel construction materials in Japan, the primary source of demand for the Kyoei Steel Group's products, although demand for steel products remained somewhat lackluster in the third quarter, the price of steel scrap, a key raw material for these products, began to rise quickly in the middle of October and has remained high. The Kyoei Steel Group raised prices of its products, but time will be needed until contractual prices are reflected in prices of products that are shipped. As a result, the metal spread, which is the difference between prices of steel products and steel scrap, became smaller in the third quarter. In the overseas steel business, there was a downturn in performance in Vietnam. Demand for steel is very strong in this country, but the price of raw materials is rising because of safeguard measures and competition is intense.

On December 21, 2016, consolidated subsidiary Kyoei Steel America LLC, which is located in Delaware, U.S., acquired all of the equity interests of BD Vinton LLC (now Vinton Steel LLC), which is located in Texas. Vinton Steel and its subsidiary became Kyoei Steel subsidiaries through this acquisition. The acquisition was treated as having taken place on December 31, 2016 for accounting purposes. As a result, results of operations of these two subsidiaries are not included in the consolidated statement of income for the first nine months.

Consolidated sales decreased 15,208 million yen (12.4%) to 107,067 million yen. Operating income decreased 4,414 million yen (39.9%) to 6,658 million yen, ordinary income decreased 4,684 million yen (41.2%) to 6,697 million yen, and profit attributable to owners of parent decreased 2,564 million yen (40.1%) to 3,837 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

Shipments increased 14,000 tons from one year earlier to 1,244,000 tons in part because users of steel products increased purchases in response to the sudden upturn in the price of steel scrap that began in October. Product prices fell by 7,800 yen per ton from one year earlier but the decline in the price of steel scrap was only 400 yen per ton. As a result, the difference between the prices of steel products and steel scrap, the source of earnings in this segment, narrowed by 7,400 yen per ton.

Segment sales decreased 15,056 million yen (18.1%) to 68,241 million yen and operating income was down 3,628 million yen (37.1%) to 6,163 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. In this segment, sales and earnings for the first three quarters are for the first nine months of calendar 2016. Demand for construction steel materials was very strong in Vietnam even though a period of seasonally weak demand. Both VKS and KSVC posted growth in sales volumes. However, prices of semi-finished products, the main raw material for steel products, increased and stayed high because of the official start of safeguard measures. Intense competition also had a negative impact on prices of products. The result was a big drop in earnings.

Segment sales increased by 249 million yen (0.7%) to 33,736 million yen and operating income decreased by 44 million yen (5.2%) to 806 million yen.

3) Material Recycling Business

In an intensely competitive environment, Kyoei Steel focused on measures to capture more orders for materials that are difficult to recycle. However, the volume of materials recycled decreased mainly because the Osaka Mill closed at the end of March 2016 and there were problems with equipment at an affiliate. As a result, segment sales decreased 386 million yen (7.3%) to 4,873 million yen and operating income was down 304 million yen (29.7%) to 719 million yen.

4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales decreased by 15 million yen (6.5%) to 218 million yen and operating income was down 3 million yen (22.5%) to 10 million yen.

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

Current assets increased by 8,999 million yen, or 8.6%, from the end of the previous fiscal year to 113,679 million yen. This was attributable mainly to increases of 3,859 million yen in cash and deposits and 7,760 million yen in notes and accounts receivable-trade, and a decrease of 4,552 million yen in securities.

Non-current assets increased by 1,222 million yen, or 1.3%, from the end of the previous fiscal year to 96,978 million yen. This was mainly attributable to increases of 799 million yen in land, 457 million yen in other, net under property, plant and equipment and 1,224 million yen in investment securities, and a decrease of 1,176 million yen in buildings and structures.

Total assets increased by 10,221 million yen, or 5.1%, from the end of the previous fiscal year to 210,657 million yen.

Liabilities

Current liabilities increased by 13,684 million yen, or 36.8%, from the end of the previous fiscal year to 50,909 million yen. This was attributable mainly to increases of 4,781 million yen in notes and accounts payable-trade and 7,703 million yen in short-term loans payable.

Non-current liabilities decreased by 3,811 million yen, or 18.9%, from the end of the previous fiscal year to 16,310 million yen. This was attributable mainly to a decrease of 4,427 million yen in long-term loans payable.

Total liabilities increased by 9,873 million yen, or 17.2%, from the end of the previous fiscal year to 67,219 million yen.

Net assets

Net assets increased by 348 million yen, or 0.2%, from the end of the previous fiscal year to 143,438 million yen. This was attributable mainly to a profit attributable to owners of parent of 3,837 million yen, dividends of surplus of 1,956 million yen, and a decrease of 1,304 million yen in foreign currency translation adjustment.

As a result, equity to total assets declined from 67.3% to 64.7%.

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

In the fourth quarter of the fiscal year, demand for steel construction materials in Japan is expected to recover slowly but the price of steel scrap, the raw material for these products, is likely to continue increase. Furthermore, the yen's decline and higher price of crude oil will probably raise the price of electricity and other forms of energy. In the overseas steel business, the outlook in Vietnam is for the price of semi-finished products to remain high in the north and south and for a decline in prices of steel products because of heated competition.

Based on this outlook, the fiscal year forecast announced on October 31, 2016 with first half results of operations has been revised because the consolidated results of operations are expected to be less than initially anticipated.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

The Company acquired 100% of the equity interests of Vinton Steel LLC in the third quarter of the current fiscal year and included this company in the scope of its consolidation. Vinton Steel LLC is considered as a specified subsidiary of the Company.

(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)	Third quarter of FY2017 (as of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	14,739	18,598
Notes and accounts receivable-trade	31,934	39,694
Securities	30,000	25,448
Merchandise and finished goods	14,928	14,598
Raw materials and supplies	9,691	12,376
Other	3,565	3,071
Allowance for doubtful accounts	(178)	(106)
Total current assets	104,680	113,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,157	16,981
Machinery, equipment and vehicles, net	35,110	34,915
Land	25,120	25,919
Other, net	1,268	1,725
Total property, plant and equipment	79,656	79,540
Intangible assets	1,214	1,595
Investments and other assets		
Investment securities	10,669	11,893
Other	4,281	4,014
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	14,886	15,843
Total non-current assets	95,756	96,978
Total assets	200,436	210,657

(Unit: millions of yen)

	FY2016 (as of Mar. 31, 2016)	Third quarter of FY2017 (as of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,251	14,032
Short-term loans payable	13,525	21,228
Current portion of long-term loans payable	2,585	2,731
Income taxes payable	1,975	520
Provision for bonuses	714	852
Provision for directors' bonuses	178	101
Provision for loss on business liquidation	110	6
Other	8,887	11,438
Total current liabilities	37,225	50,909
Non-current liabilities		
Long-term loans payable	17,036	12,609
Deferred tax liabilities	82	724
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	303
Total non-current liabilities	20,121	16,310
Total liabilities	57,346	67,219
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	88,546	90,465
Treasury shares	(2,025)	(1,930)
Total shareholders' equity	126,529	128,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,312	2,059
Deferred gains or losses on hedges	-	(34)
Revaluation reserve for land	4,974	4,937
Foreign currency translation adjustment	2,229	925
Remeasurements of defined benefit plans	(159)	(97)
Total accumulated other comprehensive income	8,356	7,789
Non-controlling interests	8,204	7,105
Total net assets	143,089	143,438
Total liabilities and net assets	200,436	210,657

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

(Unit: millions of yen)

	First nine months of FY2016 (from Apr. 1, 2015 to Dec. 31, 2015)	First nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Net sales	122,275	107,067
Cost of sales	103,661	92,127
Gross profit	18,614	14,940
Selling, general and administrative expenses	7,543	8,282
Operating income	11,071	6,658
Non-operating income		
Interest income	221	171
Dividend income	221	191
Share of profit of entities accounted for using equity method	362	135
Foreign exchange gains	-	11
Other	172	146
Total non-operating income	976	653
Non-operating expenses		
Interest expenses	436	547
Foreign exchange losses	161	-
Other	70	67
Total non-operating expenses	667	614
Ordinary income	11,381	6,697
Extraordinary income		
Gain on sales and retirement of non-current assets	17	119
Total extraordinary income	17	119
Extraordinary losses		
Loss on sales and retirement of non-current assets	363	400
Impairment loss	1,399	-
Other	77	152
Total extraordinary losses	1,838	551
Profit before income taxes	9,560	6,264
Income taxes	3,465	2,119
Profit	6,095	4,145
Profit (loss) attributable to non-controlling interests	(305)	309
Profit attributable to owners of parent	6,400	3,837

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

(Unit: millions of yen)

	First nine months of FY2016 (from Apr. 1, 2015 to Dec. 31, 2015)	First nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Profit	6,095	4,145
Other comprehensive income		
Valuation difference on available-for-sale securities	(172)	746
Revaluation reserve for land	1	-
Deferred gains or losses on hedges	-	(75)
Foreign currency translation adjustment	(96)	(2,640)
Remeasurements of defined benefit plans, net of tax	(6)	62
Total other comprehensive income	(272)	(1,906)
Comprehensive income	5,823	2,239
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,176	3,308
Comprehensive income attributable to non-controlling interests	(353)	(1,069)

(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 nine months of FY2016 (from Apr. 1, 2015 to Dec. 31, 2015)

1. Information related to net sales, profit/loss for each reportable segment (Unit: millions of yen)

	Reportable segment				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	83,297	33,487	5,259	122,043	233	-	122,275
Inter-segment sales and transfers	1,985	-	1,360	3,345	-	(3,345)	-
Total	85,282	33,487	6,619	125,388	233	(3,345)	122,275
Segment income	9,791	851	1,023	11,664	13	(606)	11,071

- 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 (606) million yen to segment income includes 162 million yen in eliminations for inter-segment transactions and (769) 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

In the Overseas Steel segment, Kyoei Steel Vietnam has temporarily suspended its plan to construct an integrated steelmaking and rolling factory. Although this company is still considering the construction of this factory, the current uncertainty of the business environment makes it difficult to reach a decision to start construction. Consequently, Kyoei Steel Vietnam recorded an impairment loss resulting from the write-down to the amount that can be recovered of non-current assets associated with the plan for this new factory. An impairment loss of 1,390 million yen was recorded in the first nine months of FY2016.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY2017 (from Apr. 1, 2016 to Dec. 31, 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	68,241	33,736	4,873	106,850	218	-	107,067
Inter-segment sales and transfers	145	-	993	1,138	-	(1,138)	-
Total	68,386	33,736	5,866	107,988	218	(1,138)	107,067
Segment income	6,163	806	719	7,688	10	(1,041)	6,658

- 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 (1,041) million yen to segment income includes (8) million yen in eliminations for inter-segment transactions and (1,033) 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

On December 21, 2016, consolidated subsidiary Kyoei Steel America LLC, which is located in Delaware, U.S., acquired all of the stock of BD Vinton LLC (now Vinton Steel LLC), which is located in Texas. This acquisition made Vinton Steel and its subsidiary subsidiaries of Kyoei Steel. As a result, goodwill in the Overseas Steel Business segment increased by 335 million yen in the first nine months of FY2017. The amount of goodwill is calculated provisionally because the acquisition cost is undecided as of the end of the third quarter of FY2017 and its distribution is incomplete.

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.