KYOEI STEEL

April 28, 2016

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Fiscal Year 2016)

<Under Japanese GAAP>

Company name: Kyoei Steel, Ltd.
Stock exchange listed: Tokyo, 1st Section
Stock code: 5440
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Date of the annual shareholders' meeting: June 22, 2016
Scheduled date of filing of annual securities report: June 23, 2016
Scheduled date of payment of dividend: June 7, 2016
Preparation of supplementary materials for financial results: None

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

1. Consolidated Financial Results for Fiscal Year 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results (Percentages for net sales and incomes 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	%
Fiscal Year 2016	160,952	(11.3)	13,792	16.9	14,161	13.4	8,467	22.3
Fiscal Year 2015	181,436	3.9	11,796	312.9	12,488	299.7	6,923	-

Note: Comprehensive income Fiscal Year 2016: 6,906 million yen (down 32.1%)
Fiscal Year 2015: 10,173 million yen (up 490.3%)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year 2016	194.94	-	6.4	7.0	8.6
Fiscal Year 2015	159.30	-	5.5	6.5	6.5

Reference: Equity in earnings (losses) of affiliates Fiscal Year 2016: 468 million yen Fiscal Year 2015: 417 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2016	200,436	143,089	67.3	3,115.86
Fiscal Year 2015	201,760	138,052	64.2	2,980.84

Reference: Shareholders' equity Fiscal Year 2016: 134,885 million yen Fiscal Year 2015: 129,546 million yen

(3) Cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2016	17,227	(10,792)	(1,522)	39,596
Fiscal Year 2015	16,665	(18,934)	1,984	34,982

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2015	-	10.00	-	25.00	35.00	1,521	22.0	1.2
Fiscal Year 2016	-	10.00	-	35.00	45.00	1,956	23.1	1.5
Fiscal Year 2017 (Forecast)	-	10.00	-	20.00	30.00		29.0	

Note: Breakdown of the Fiscal Year 2015 dividends Ordinary dividends: 20.00 yen; Special dividends: 5.00 yen

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	69,000	(17.3)	2,300	(67.5)	2,000	(72.5)	1,300	(71.1)	29.93
Full year	142,000	(11.8)	7,500	(45.6)	7,000	(50.6)	4,500	(46.9)	103.60

*** 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) 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 "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 16 of the attachments for further information.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

Fiscal Year 2016: 44,898,730 shares Fiscal Year 2015: 44,898,730 shares

2) Number of treasury shares at the end of the period

Fiscal Year 2016: 1,608,855 shares Fiscal Year 2015: 1,439,389 shares

3) Average number of shares outstanding during the period

Fiscal Year 2016: 43,435,215 shares Fiscal Year 2015: 43,459,367 shares

Note: Numbers of treasury shares include the Company's stock held by the Employee Stock Ownership Association Support Trust.

(For reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2016 (from April 1, 2015 to March 31, 2016)

(1) Non-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	%
Fiscal Year 2016	92,983	(18.9)	10,097	4.9	10,783	1.1	5,945	(6.3)
Fiscal Year 2015	114,596	5.9	9,623	388.3	10,666	295.8	6,346	-

	Net income per share	Fully diluted net income per share
	Yen	Yen
Fiscal Year 2016	136.86	-
Fiscal Year 2015	146.03	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2016	135,954	114,566	84.3	2,646.50
Fiscal Year 2015	137,987	110,840	80.3	2,550.43

Reference: Shareholders' equity Fiscal Year 2016: 114,566 million yen Fiscal Year 2015: 110,840 million yen

Reason for differences between non-consolidated financial results for fiscal year 2015 and 2016

The main reason for differences between financial results in the past two fiscal years is a decline in selling prices of products in the Domestic Steel Business.

* Indication of audit procedure implementation status

At the time when this report was released, the audit procedures for the 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. Analysis of Business Results and Financial Position, (1) Analysis of Business Results" on page 2 of the attachments.

Contents of Attachments

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the fiscal year ended March 31, 2016, 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 the market for steel construction materials, the primary source of demand for the products of the Kyoei Steel Group, demand was lackluster in both the building construction and civil engineering sectors. Steel product prices and price of raw materials remained lower overseas as the excessive volume of steel exports from China continued. Lower prices overseas caused price of steel scrap, the primary raw material, in Japan to fall. As a result, demand for steel products was sluggish as buyers of steel products pushed back their purchases. In this environment, the Kyoei Steel Group continued to cut the cost of manufacturing while keeping production and sales activities in line with demand. The goal was to maintain a suitable metal spread, which is the difference between the prices of steel products and steel scrap. In the Overseas Steel Business, the construction of a factory for increasing output capacity in southern Vietnam was completed and production and sales volumes expanded while preserving a suitable metal spread in order to meet strong demand for steel.

As was announced on March 30, 2015, the Osaka Mill, Hirakata Division, which produced billets (a semi-finished steel product), ended its operations on March 31, 2016. We made this decision because of the challenging market environment for billets in Japan and other countries.

Consequently, consolidated sales decreased 20,484 million yen (11.3%) to 160,952 million yen. Operating income increased 1,996 million yen (16.9%) to 13,792 million yen and ordinary income increased 1,674 million yen (13.4%) to 14,161 million yen. Although there was an impairment loss on non-current assets at Kyoei Steel Vietnam Company Limited (KSVC), which is located in northern Vietnam, profit attributable to owners of parent increased 1,544 million yen (22.3%) to 8,467 million yen.

Results by business segment are as follows.

Reportable segments have been revised beginning with the fiscal year that ended in March 2016. Comparisons and analysis of segment performance for the fiscal year are based on the revised segments. More information is provided in “4. Revisions to reportable segments” in Segment and Other Information on page 19.

1) Domestic Steel Business

Shipments decreased 39,000 tons from one year earlier to 1,641,000 tons, including a 35,000 ton increase in export shipments to 69,000 tons. Product prices decreased by 9,900 yen per ton but the price of steel scrap, the primary raw material, fell by 10,300 yen 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, widened by 400 yen per ton compared with one year earlier.

Segment sales decreased 24,097 million yen (18.3%) to 107,642 million yen and operating income was up 1,718 million yen (15.9%) to 12,507 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 KSVC, which is located in northern Vietnam. In 2015, Vietnam’s economy continued to post strong growth with a real GDP growth rate of 6.7% despite the effects of slowing economic growth in China. Demand for steel was more than 30% higher than in 2014. VKS completed construction of an integrated steelmaking and rolling factory and, due to strong demand for steel, achieved growth in production and sales. However, earnings at VKS were held down by the high manufacturing expenses during the start-up phase of the new factory. The performance of KSVC has improved as this company operated at virtually full capacity because of the high level of demand while cutting costs.

Segment sales increased by 3,969 million yen (9.4%) to 46,035 million yen and operating income increased by 481 million yen (182.5%) to 744 million yen.

3) Material Recycling Business

Despite activities aimed at receiving orders for materials that are difficult to process, there was a decrease in the volume of waste materials melted in electric arc furnaces along with a decline in the volume of steel production to match lower demand. Segment sales decreased 256 million yen (3.5%) to 6,956 million yen and operating income was down 255 million yen (15.5%) to 1,389 million yen.

4) Others

This category includes mainly sales of civil engineering materials by a subsidiary and an insurance agent business. Sales decreased by 101 million yen (24.1%) to 319 million yen and operating income was up 2 million yen (13.4%) to 20 million yen.

In the fiscal year ending on March 31, 2017, a recovery in demand is unlikely in Japan for steel construction materials in both the construction and civil engineering sectors. The price of steel scrap, the primary raw material for steelmaking, is moving up. The reason is stronger overseas demand caused in part by Vietnam's enactment of safeguard measures for steel bars, semi-finished products and some other finished steel products. Although we will continue to work on increasing the prices of our products, we expect the metal spread to narrow.

The cost of electricity is declining somewhat as the fuel adjustment portion of electricity bills falls to reflect the lower price of crude oil. However, electricity remains costly due to the second hike in basic rates by Kansai Electric Power in April 2015. We will continue to implement cost-cutting measures, chiefly actions for energy-efficient operations to cut electricity use.

In Vietnam, where demand for steel is very strong, VKS in the southern Vietnam will continue to take actions for growth in production and sales volumes in line with its growth strategy. More time will be needed until the steelmaking (upstream) operations of this company reach full capacity. Since this will keep expenses high, earnings at VKS are expected to be low in the next fiscal year. In northern Vietnam, KSVC plans to operate at full capacity in order to raise production and sales volumes for meeting the very strong demand for steel.

In the fiscal year ending on March 31, 2017, the Group forecasts consolidated net sales of 142,000 million yen, operating income of 7,500 million yen, ordinary income of 7,000 million yen, and profit attributable to owners of parent of 4,500 million yen.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

(i) Assets

Current assets decreased by 3,986 million yen, or 3.7%, from the end of the previous fiscal year to 104,680 million yen. This was attributable mainly to increases of 10,400 million yen in securities and 1,071 million yen in raw materials and supplies and decreases of 6,440 million yen in cash and deposits, 5,914 million yen in notes and accounts receivable-trade, and 3,159 million yen in merchandise and finished goods.

Non-current assets increased by 2,662 million yen, or 2.9 %, from the end of the previous fiscal year to 95,756 million yen. This was mainly attributable to increases of 4,641 million yen in buildings and structures, and 15,150 million yen in machinery, equipment and vehicles, and a decrease of 16,792 million yen in construction in progress.

Total assets decreased by 1,324 million yen, or 0.7%, from the end of the previous fiscal year to 200,436 million yen.

(ii) Liabilities

Current liabilities decreased by 3,078 million yen, or 7.6%, from the end of the previous fiscal year to 37,225 million yen. This was attributable mainly to a decrease of 3,137 million yen in notes and accounts payable-trade.

Non-current liabilities decreased by 3,283 million yen, or 14.0%, from the end of the previous fiscal year to 20,121 million yen. This was attributable mainly to decreases of 2,260 million yen in long-term loans payable, 607 million yen in deferred tax liabilities and 298 million yen in provision for loss on business liquidation.

Total liabilities decreased by 6,361 million yen, or 10.0%, from the end of the previous fiscal year to 57,346 million yen.

(iii) Net assets

Net assets increased by 5,037 million yen, or 3.6%, from the end of the previous fiscal year to 143,089 million yen. This was attributable mainly to profit attributable to owners of parent of 8,467 million yen, dividends of surplus of 1,521 million yen, valuation difference on available-for-sale securities of (947) million yen and remeasurements of defined benefit plans of (541) million yen.

As a result, compared to the end of the previous fiscal year, net assets per share increased by 135.02 yen to 3,115.86 yen, and the ratio of shareholders' equity to total assets increased from 64.2% to 67.3%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by 4,614 million yen from the end of the previous fiscal year to 39,596 million yen. The cash flow components during the fiscal year and the main reasons for the changes are described below.

(i) Cash flows from operating activities

Net cash provided by operating activities was 17,227 million yen. The major components were profit before income taxes of 12,432 million yen and depreciation of 5,026 million yen.

(ii) Cash flows from investing activities

Net cash used in investing activities was 10,792 million yen. The major components were payments of 9,346 million yen for the purchase of property, plant and equipment, and 1,216 million yen for the acquisition of investments in capital in subsidiaries.

(iii) Cash flows from financing activities

Net cash used in financing activities was 1,522 million yen. The major components include cash dividends paid of 1,521 million yen.

Trends in cash flow indicators

Fiscal years ended	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Equity to total assets	73.2%	74.2%	67.3%	64.2%	67.3%
Equity to total assets based on market prices	44.1%	44.2%	44.0%	43.7%	36.5%
Interest-bearing debt to cash flow ratio	160.0%	114.1%	-	196.9%	192.4%
Interest coverage ratio	79.9x	24.3x	-	44.4x	29.0x

Notes: 1. The above figures are calculated as follows.

Equity to total assets: Shareholders' equity / Total assets

Equity to total assets based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

2. All indices are calculated based on consolidated figures.
3. Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares (including stock held by the Employee Stock Ownership Association Support Trust)
4. The interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for the fiscal year ended March 31, 2014 because operating cash flows were negative in this fiscal year.

(3) Basic Policy for Earnings Distributions and Dividends in the Current and Next Fiscal Years

We believe that increasing corporate value is the most effective means of distributing earnings to shareholders. As a result, our policy for dividends is to pay a reasonable dividend while retaining the earnings needed to achieve growth and make the entire group stronger from a long-term perspective.

We plan to pay a year-end dividend of 35 yen per share, which has been initially planned for the fiscal year ended March 31, 2016. Including the interim dividend of 10 yen, this will result in a total dividend of 45 yen per share for this fiscal year.

For the fiscal year ending on March 31, 2017, we forecast a dividend of 30 yen per share, the sum of an interim dividend of 10 yen and a year-end dividend of 20 yen.

(4) Business and Other Risks

Information concerning the business risk is not presented because there have been no significant changes since the most recent Securities Report dated June 23, 2015.

2. Management Policy

(1) Fundamental Management Policy

The corporate philosophy of the Kyoei Steel Group is to contribute to the national economic growth and regional prosperity through our resource recycling operations with a focus on the steel business, coexisting in harmony with society. To achieve these goals, the entire group is dedicated to concentrating on three themes: establish a management mindset with a strong commitment to safety and compliance; create a corporate culture that encourages everyone to take on challenges for enterprise and innovation; and build a management framework that place priority on production sites, which are the essence of the group as a manufacturer.

(2) Target Performance Indicators

The goal of the Kyoei Steel Group is to be an organization that is liked and trusted by all our stakeholders. Kyoei Steel seeks consistent and steady earnings while meeting the social demands of resource and energy conservation and the reduction of CO_2 emissions. As Japan’s largest steel minimill company, with annual shipments of more than 3 million tons in Japan and overseas, Kyoei Steel has established the targets of ordinary income of 20 billion yen, a return on assets of 10% and a return on equity of 8%.

(3) Medium to Long-term Management Strategies

The Kyoei Steel Group wants to achieve a proper competitive environment in Japan for steel minimill companies as demand for construction declines along with the country’s population. Another goal is using expertise involving technologies and business operations for the growth of overseas steel business and material recycling business. Kyoei Steel has a commitment to making economic, social and environmental contributions in Japan and on a global scale.

1) Prevailing in Japan's steel market

Focusing on Japan's steel construction materials market after 2020, the Kyoei Steel Group will fulfill its responsibilities as the leading company in this industry by taking the following actions.

- To preserve the soundness of Japans' steel minimill industry in a proper competitive environment, we will take many actions for realignment and consolidation so that all companies in the industry can aim for a new stage of growth.
- We will upgrade the core skills that underpin the entire Kyoei Steel Group. For manufacturing, our priorities are safety, quality and low-cost operations. Our sales activities will precisely target the needs of customers by adopting the perspective of our customers.
- We will use even closer cooperative ties among business sites and group companies to increase the overall strength of the Kyoei Steel Group. Our main goals are improving technology and development skills faster, making sales operations more powerful, improving quality, and developing new products. We will use these activities to meet our customers' increasingly diverse and advanced demands.
- We will take on the challenge of identifying and capitalizing on new opportunities associated with the steel business.

2) Promoting the overseas steel business

The Kyoei Steel Group has considerable expertise involving the operations outside Japan. This knowledge comes from our advanced technologies, experience sharing these technologies with other countries and operating businesses overseas. We plan to use this expertise to continue growing outside Japan. As we increase the value of the Kyoei brand, we want to establish a firm presence in Vietnam and other ASEAN countries so that the overseas steel business becomes a profit center on the same scale as our domestic steel business.

- There are currently two Kyoei Steel Group production bases in Vietnam. As demand for steel in this country increases, we plan to grow rapidly by using higher production capacity, a diverse lineup of products and outstanding quality to set ourselves apart from competitors.
- Port construction projects are under way in southern Vietnam that will give the country port facilities well equipped to handle imports of steel scrap and exports of finished steel products. Our goal is to use this capability to aim for more growth in tandem with the economic growth of other ASEAN countries.
- We will consider expanding our overseas steel operations beyond Vietnam.

3) Expansion of the material recycling business

The material recycling business is a core component of the Kyoei Steel Group and we want the growth of this business to continue. We have the skills to use electric arc furnaces to transform potentially hazardous materials into a harmless state. We have also established a large network of relationships by operating this business for many years. Our objective is to use these strengths to meet the need for the safe and reliable processing of a broad spectrum of waste materials.

- We will deepen ties with other companies while further refining and more broadly performing melting treatment to make waste materials completely harmless using an electric arc furnace. We use these relationships to process more types of materials and add more processes. Our goal is to provide a one-stop solutions for processing industrial waste.
- We will examine the feasibility of starting a material recycling business in other countries.

4) Workforce retention, training and motivation

The Kyoei Steel Group will develop the skills of employees and take steps for increasing motivation and giving people rewarding and fulfilling jobs.

- We will protect the safety of employees and provide workplaces that are mentally and physically pleasant. We want people to have a workplace environment where they can enjoy their work and realize their full potential.
- We will actively recruit and train a diverse workforce and maintain an organization in which diversity is a valuable strength.
- We will train the next generation of key employees, maintain an open and energetic organization, and utilize the skilled employees through human resources initiatives encompassing the entire group, including a stronger infrastructure for passing on skills to younger workers and other training programs.

3. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: millions of yen)

	FY2015 (as of Mar. 31, 2015)	FY2016 (as of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	21,179	14,739
Notes and accounts receivable-trade	37,848	31,934
Securities	19,600	30,000
Merchandise and finished goods	18,088	14,928
Raw materials and supplies	8,620	9,691
Deferred tax assets	752	538
Other	2,722	3,027
Allowance for doubtful accounts	(144)	(178)
Total current assets	108,666	104,680
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,902	44,381
Accumulated depreciation	(25,386)	(26,224)
Buildings and structures, net	13,516	18,157
Machinery, equipment and vehicles	92,984	110,591
Accumulated depreciation	(73,025)	(75,481)
Machinery, equipment and vehicles, net	19,960	35,110
Land	25,186	25,120
Construction in progress	17,500	708
Other	2,274	2,373
Accumulated depreciation	(1,803)	(1,813)
Other, net	471	560
Total property, plant and equipment	76,633	79,656
Intangible assets	1,153	1,214
Investments and other assets		
Investment securities	11,693	10,669
Long-term loans receivable	503	398
Net defined benefit asset	967	108
Deferred tax assets	699	615
Other	1,517	3,160
Allowance for doubtful accounts	(71)	(64)
Total investments and other assets	15,307	14,886
Total non-current assets	93,094	95,756
Total assets	201,760	200,436

(Unit: millions of yen)

	FY2015 (as of Mar. 31, 2015)	FY2016 (as of Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,388	9,251
Short-term loans payable	11,439	13,525
Current portion of long-term loans payable	2,071	2,585
Income taxes payable	4,051	1,975
Deferred tax liabilities	-	3
Provision for bonuses	698	714
Provision for directors' bonuses	139	178
Provision for loss on business liquidation	-	110
Other	9,519	8,883
Total current liabilities	40,303	37,225
Non-current liabilities		
Long-term loans payable	19,296	17,036
Deferred tax liabilities	689	82
Deferred tax liabilities for land revaluation	2,731	2,592
Provision for directors' retirement benefits	21	8
Provision for loss on business liquidation	298	-
Net defined benefit liability	57	88
Other	312	314
Total non-current liabilities	23,404	20,121
Total liabilities	63,708	57,346
Net assets		
Shareholders' equity		
Capital stock	18,516	18,516
Capital surplus	21,493	21,493
Retained earnings	81,600	88,546
Treasury shares	(1,699)	(2,025)
Total shareholders' equity	119,909	126,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,259	1,312
Revaluation reserve for land	4,835	4,974
Foreign currency translation adjustment	2,160	2,229
Remeasurements of defined benefit plans	382	(159)
Total accumulated other comprehensive income	9,637	8,356
Non-controlling interests	8,507	8,204
Total net assets	138,052	143,089
Total liabilities and net assets	201,760	200,436

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: millions of yen)

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Net sales	181,436	160,952
Cost of sales	159,536	137,063
Gross profit	21,900	23,889
Selling, general and administrative expenses	10,104	10,097
Operating income	11,796	13,792
Non-operating income		
Interest income	641	297
Dividend income	176	222
Share of profit of entities accounted for using equity method	417	468
Other	194	218
Total non-operating income	1,427	1,205
Non-operating expenses		
Interest expenses	429	578
Sales discounts	52	36
Foreign exchange losses	203	161
Other	52	60
Total non-operating expenses	735	836
Ordinary income	12,488	14,161
Extraordinary income		
Gain on sales and retirement of non-current assets	32	18
Gain on sales of investment securities	247	-
Reversal of provision for loss on business liquidation	-	231
Other	3	-
Total extraordinary income	282	249
Extraordinary losses		
Loss on sales and retirement of non-current assets	891	435
Impairment loss	96	1,401
Loss on liquidation of business	901	122
Other	153	20
Total extraordinary losses	2,040	1,978
Profit before income taxes	10,730	12,432
Income taxes-current	4,565	3,850
Income taxes-deferred	(819)	440
Total income taxes	3,746	4,291
Profit	6,984	8,142
Profit (loss) attributable to non-controlling interests	61	(326)
Profit attributable to owners of parent	6,923	8,467

(Consolidated Statements of Comprehensive Income)

(Unit: millions of yen)

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Profit	6,984	8,142
Other comprehensive income		
Valuation difference on available-for-sale securities	559	(947)
Revaluation reserve for land	286	139
Foreign currency translation adjustment	1,961	113
Remeasurements of defined benefit plans, net of tax	383	(541)
Total other comprehensive income	3,189	(1,235)
Comprehensive income	10,173	6,906
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	9,106	7,187
Comprehensive income attributable to non-controlling interests	1,067	(281)

(3) Consolidated Statements of Changes in Equity

FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,516	21,493	75,674	(1,699)	113,983
Cumulative effects of changes in accounting policies			(96)		(96)
Restated balance	18,516	21,493	75,578	(1,699)	113,887
Changes of items during period					
Dividends of surplus			(1,086)		(1,086)
Profit attributable to owners of parent			6,923		6,923
Reversal of revaluation reserve for land			185		185
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	6,022	(0)	6,022
Balance at end of current period	18,516	21,493	81,600	(1,699)	119,909

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,700	4,735	1,205	(1)	7,639	7,165	128,788
Cumulative effects of changes in accounting policies							(96)
Restated balance	1,700	4,735	1,205	(1)	7,639	7,165	128,691
Changes of items during period							
Dividends of surplus							(1,086)
Profit attributable to owners of parent							6,923
Reversal of revaluation reserve for land							185
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	559	100	955	383	1,997	1,342	3,339
Total changes of items during period	559	100	955	383	1,997	1,342	9,361
Balance at end of current period	2,259	4,835	2,160	382	9,637	8,507	138,052

FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,516	21,493	81,600	(1,699)	119,909
Changes of items during period					
Dividends of surplus			(1,521)		(1,521)
Profit attributable to owners of parent			8,467		8,467
Purchase of treasury shares				(339)	(339)
Disposal of treasury shares				13	13
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	6,946	(326)	6,620
Balance at end of current period	18,516	21,493	88,546	(2,025)	126,529

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,259	4,835	2,160	382	9,637	8,507	138,052
Changes of items during period							
Dividends of surplus							(1,521)
Profit attributable to owners of parent							8,467
Purchase of treasury shares							(339)
Disposal of treasury shares							13
Net changes of items other than shareholders' equity	(947)	139	68	(541)	(1,280)	(303)	(1,583)
Total changes of items during period	(947)	139	68	(541)	(1,280)	(303)	5,037
Balance at end of current period	1,312	4,974	2,229	(159)	8,356	8,204	143,089

(4) Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	10,730	12,432
Depreciation	4,147	5,026
Impairment loss	649	1,401
Increase (decrease) in provision	490	71
Increase (decrease) in net defined benefit liability	(11)	31
Share of (profit) loss of entities accounted for using equity method	(417)	(468)
Loss (gain) on sales of investment securities	(247)	-
Loss (gain) on sales and retirement of non-current assets	859	417
Interest and dividend income	(817)	(519)
Interest expenses	429	578
Decrease (increase) in notes and accounts receivable-trade	2	5,912
Decrease (increase) in inventories	785	2,079
Increase (decrease) in notes and accounts payable-trade	(1,071)	(3,140)
Increase (decrease) in accrued consumption taxes	1,433	(832)
Increase (decrease) in net defined benefit asset	(114)	66
Other, net	685	82
Subtotal	17,531	23,136
Interest and dividend income received	773	621
Interest expenses paid	(375)	(595)
Compensation for damage paid	(89)	-
Income taxes paid	(1,176)	(5,935)
Net cash provided by (used in) operating activities	16,665	17,227
Cash flows from investing activities		
Payments into time deposits	(901)	(660)
Proceeds from withdrawal of time deposits	900	925
Purchase of short-term investment securities and other	(5,000)	(9,100)
Proceeds from sales of securities	-	9,300
Purchase of investment securities	(8)	(2)
Proceeds from sales and redemption of investment securities	641	1
Payments of deposit	(1)	(1,001)
Proceeds from withdrawal deposit	1	901
Purchase of shares of subsidiaries	(376)	-
Purchase of investments in capital of subsidiaries	-	(1,216)
Payments of loans receivable	(323)	(53)
Collection of loans receivable	81	83
Purchase of property, plant and equipment	(13,654)	(9,346)
Proceeds from sales of property, plant and equipment	24	23
Purchase of intangible assets	(129)	(216)
Other, net	(189)	(432)
Net cash provided by (used in) investing activities	(18,934)	(10,792)

(Unit: millions of yen)

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,014)	2,096
Proceeds from long-term loans payable	6,415	339
Repayments of long-term loans payable	(977)	(2,086)
Repayments of installment payables	(2)	(2)
Purchase of treasury shares	(0)	(339)
Proceeds from disposal of treasury shares	-	13
Cash dividends paid	(1,086)	(1,521)
Dividends paid to non-controlling interests	(228)	(22)
Proceeds from share issuance to non-controlling shareholders	877	-
Net cash provided by (used in) financing activities	1,984	(1,522)
Effect of exchange rate change on cash and cash equivalents	1,396	(300)
Net increase (decrease) in cash and cash equivalents	1,111	4,614
Cash and cash equivalents at beginning of period	33,871	34,982
Cash and cash equivalents at end of period	34,982	39,596

(5) Notes to Consolidated Financial Statements

Going-concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standards for Business Combinations

Effective from 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. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, 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 previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these standards does not have a material effect on the consolidated financial statements.

Additional Information

Transactions of Delivering the Company’s Own Stock to Employee Stock Ownership Association through Trusts

1. Overview of transaction

The Company has an Employee Stock Ownership Association Support Trust ESOP (ESOP) for the purpose of providing an incentive for contributing to the medium and long-term growth of corporate value. By distributing stock to group employees, the Company aims to increase their motivation as well as encourage the use of ESOP and the stable accumulation of assets in the plan.

The ESOP is a scheme to encourage employees to own Kyoei Steel stock that is similar to a U.S. ESOP but structured to comply with laws and regulations in Japan. Combining an ESOP with a trust makes it possible for the trust fund to purchase at once all of the stock that the ESOP will require in the future. Furthermore, this scheme can enhance benefits for employees, heighten their motivation and provide other advantages.

The Company has established a trust in which the beneficiaries are employees who belong to the Kyoei Group Employee Stock Ownership Association (the “Association”) and who fulfill certain requirements. The trust purchases during a period specified in advance an amount of the Company stock that the Association is expected to purchase during the trust’s existence. After purchasing this stock, the trust sells stock to the Association each month on the designated day. Upon completion of the trust, if there is trust income resulting from an increase in the price of the Company stock, this income will be distributed to the beneficiaries (employees) in proportion to the number of shares purchased during the period. If there is a loss on the transfer of stock resulting from a decrease in the price of the Company stock, resulting in a liability concerning trust assets, then in accordance with the guarantee terms of a non-recourse loan contract, the Company will make a reimbursement to the bank in a lump-sum so that there is no additional financial burden on employees.

2. The Company’s stock held by the trust

The Company’s stock held by the trust is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company’s stock held by the trust was 169,000 shares with a book value of 326 million yen as of March 31, 2016.

3. Book value of loans recorded due to use of the gross price method

328 million yen as of March 31, 2016

Segment and Other Information

Segment information

1. Overview of reportable segments

Segments used for financial reporting are the Group’s constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group consists of three business units: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Each business unit determines its own comprehensive strategies and has devised for products and services in both domestic and overseas markets.

Consequently, the Group has three reportable business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business.

The Domestic Steel Business manufactures and sells steel products, mainly for domestic building construction and civil engineering, and has a cargo transportation business. The Overseas Steel Business manufactures and sells steel products, mainly for building construction and civil engineering overseas. The material recycling business performs intermediate and final processing of medical waste and industrial waste and has a recycled crushed stone business and other activities.

2. Calculation method for net sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments comply with accounting principles and procedures used for the preparation of the consolidated financial statements.

Earnings for reportable segments are operating income.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit/loss, assets, liabilities, and other items for each reportable segment

FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5, 6)	Amounts shown on the consolidated statements of income (Note 7)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	131,738	42,065	7,212	181,016	420	-	181,436
Inter-segment sales and transfers	2,959	-	2,146	5,105	-	(5,105)	-
Total	134,697	42,065	9,358	186,121	420	(5,105)	181,436
Segment income	10,789	264	1,644	12,697	18	(919)	11,796
Segment assets	106,199	50,325	6,246	162,771	4,144	34,845	201,760
Other items							
Depreciation	3,402	471	204	4,076	12	59	4,147
Impairment loss	-	-	-	-	-	96	96
Increase in property, plant and equipment and intangible assets	3,262	12,370	185	15,817	-	103	15,920

Notes:
1. 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.
2. The adjustment of (919) million yen to segment income includes 26 million yen in eliminations for inter-segment transactions and (946) 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.
3. The adjustment of 34,845 million yen to segment assets includes the Company’s excess funds (cash and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
4. The adjustment of 59 million yen to depreciation is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
5. The adjustment of 96 million yen to depreciation is related to corporate assets that are not allocated to reportable segments.
6. The adjustment of 103 million yen to an increase in property, plant and equipment and intangible assets is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
7. Segment income is adjusted to be consistent with operating income shown on the consolidated financial statements.
8. In addition to the above, the Company has booked an impairment loss of 553 million yen in the domestic steel business which is reported as “Loss on liquidation of business” on the consolidated statements of income.

FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)

(Unit: millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Notes 2, 3, 4, 5, 6)	Amounts shown on the consolidated statements of income (Note 7)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
External sales	107,642	46,035	6,956	160,633	319	-	160,952
Inter-segment sales and transfers	2,221	-	1,821	4,042	-	(4,042)	-
Total	109,862	46,035	8,777	164,675	319	(4,042)	160,952
Segment income	12,507	744	1,389	14,641	20	(869)	13,792
Segment assets	97,414	47,951	6,363	151,727	3,428	45,281	200,436
Other items							
Depreciation	3,289	1,426	224	4,939	15	71	5,026
Impairment loss	-	1,392	-	1,392	-	9	1,401
Increase in property, plant and equipment and intangible assets	3,421	6,177	410	10,009	9	86	10,104

Notes:
1. 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.
2. The adjustment of (869) million yen to segment income includes 183 million yen in eliminations for inter-segment transactions and (1,052) 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.
3. The adjustment of 45,281 million yen to segment assets includes the Company’s excess funds (cash and marketable securities), long-term investments (investment securities), and assets which belong to the administration department.
4. The adjustment of 71 million yen to depreciation is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
5. The adjustment of 9 million yen to depreciation is related to corporate assets that are not allocated to reportable segments.
6. The adjustment of 86 million yen to an increase in property, plant and equipment and intangible assets is related to the general and administrative operations of the Company’s head office that cannot be attributed to reportable segments.
7. Segment income is adjusted to be consistent with operating income shown on the consolidated financial statements.

4. Revisions to reportable segments

Reportable segments have been revised beginning with FY2016.

In prior fiscal years, the Kyoei Steel Group had three reportable segments: Steel, Material Recycling and Others. Beginning with the current fiscal year, the Steel segment is divided into Domestic Steel and Overseas Steel segments because of the outlook for growth in the scale of operations in Vietnam following the operation start of the second steelmaking and rolling line at Vina Kyoei Steel in this fiscal year. Also, in prior fiscal years, the Steel segment included recycling operations that involved 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 is not a reportable segment.

Segment information for FY2015 was prepared using the revised reportable segments.

Per Share Information

(Unit: yen)

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Net assets per share Net income (loss) per share	2980.84 159.30 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	3,115.86 194.94 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

Notes: Basis for calculation is as follows.

1. Net assets per share

	FY2015 (as of Mar. 31, 2015)	FY2016 (as of Mar. 31, 2016)
Total net assets (Millions of yen)	138,052	143,089
Deduction on total net assets (Millions of yen)	(8,507)	(8,204)
[of which non-controlling interests (Millions of yen)]	[(8,507)]	[(8,204)]
Net assets applicable to common shares (Millions of yen)	129,546	134,885
Number of common shares outstanding (Thousand shares)	44,899	44,899
Number of treasury shares (Thousand shares)	1,439	1,609
Number of common shares at end of period used in calculation of net assets per share (Thousand shares)	43,459	43,290

2. The Company's stock held by the Employee Stock Ownership Association Support Trust is included in treasury shares and is thus deducted from the number of shares issued at the end of each fiscal year that was used to calculate net assets per share. The number of shares of the Company's stock held by the trust was 169,000 shares as of March 31, 2016.

3. Net income per share

	FY2015 (from Apr. 1, 2014 to Mar. 31, 2015)	FY2016 (from Apr. 1, 2015 to Mar. 31, 2016)
Profit attributable to owners of parent (Millions of yen)	6,923	8,467
Amounts not available to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Millions of yen)	6,923	8,467
Average number of common shares outstanding during the period (Thousand shares)	43,459	43,435

4. The Company's stock held by the Employee Stock Ownership Association Support Trust is included in treasury shares and is thus deducted from the average number of shares outstanding during each fiscal year that was used to calculate net income per share. The average number of shares of the Company's stock held by the trust was 24,000 shares for FY2016.

Material Subsequent Events

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.