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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (Japanese GAAP)

November 2, 2016
Stock Exchange: Tokyo

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Quarterly securities report to be submitted: November 14, 2016
Start of cash dividend payments: December 2, 2016
Supplementary materials: Yes (Japanese only)
IR conference: Yes (for institutional investors and analysts; Japanese only)

(Figures rounded down to nearest million yen)

1. Consolidated Earnings through the Second Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (Cumulative) (%: change from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FYE March 31, 2017	862,644	(13.0)	13,597	0.3	13,613	(11.7)	8,786	(10.8)
2Q FYE March 31, 2016	991,717	(3.5)	13,561	(1.5)	15,411	14.4	9,849	18.0

Note: Comprehensive income
2Q FYE March 31, 2017: -¥436 million (-%)
2Q FYE March 31, 2016: ¥9,371 million (1.4%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FYE March 31, 2017	284.23		-	
2Q FYE March 31, 2016	318.59		-	

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the earnings per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2016	631,758		187,018		27.2	
As of March 31, 2016	660,664		190,264		26.3	

Reference: Equity capital
As of September 30, 2016: ¥172,151 million
As of March 31, 2016: ¥173,512 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2016	–	7.50	–	7.50	15.00
FYE March 31, 2017	–	7.50	–	–	–
FYE March 31, 2017 (Est.)	–	–	–	75.00	–

Note: Revisions of dividends projections since most recent announcement: None

Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the dividend per share entered for the fiscal year end of the fiscal year ending March 31, 2017 (Est.) reflects the impact of the said share consolidation, and the field for total annual dividends per share displays a hyphen (-). When the share consolidation is discounted, the dividend per share for the fiscal year end of the fiscal year ending March 31, 2017 (Est.) is ¥7.50 and annual dividends per share are ¥15.00.

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(%: change from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	1,880,000	(2.6)	29,000	4.0	30,000	3.4	17,500	1.0	566.08

Note: Revisions of earnings projections since most recent announcement: Yes

Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the earnings per share reflects the impact of the said share consolidation.

* Notes

- (1) Material changes in consolidated subsidiaries during the cumulative consolidated period (changes in specific subsidiaries resulting in changes in scope of consolidation): None
- (2) Use of special accounting methods for creating quarterly consolidated financial statements: None
- (3) Changes of accounting policies, changes of accounting estimates and retrospective restatements
 - i. Changes in accounting policies resulting from changes in accounting standards, etc.: Yes
 - ii. Other accounting policy changes: None
 - iii. Changes in accounting estimates: None
 - iv. Restatements: None

Note: For more detailed information, see “2. Notes on Summary Information, (3) Changes of Accounting Policies, Changes of Accounting Estimates and Retrospective Restatements” on page 4 of the attachment.

- (4) Number of shares outstanding (common shares)
 - i. Number of shares outstanding at the end of the period (including treasury shares)

As of September 30, 2016	30,957,800 shares
As of March 31, 2016	30,957,800 shares
 - ii. Number of treasury shares at the end of the period

As of September 30, 2016	44,005 shares
As of March 31, 2016	43,123 shares
 - iii. Average number of shares during the period (cumulative quarter)

2Q FYE March 31, 2017	30,914,386 shares
2Q FYE March 31, 2016	30,916,527 shares

* Effective October 1, 2016, the Company consolidated its common shares at the ratio of 10 shares to 1 share. Accordingly, the number of shares outstanding at the end of the period, number of treasury shares

at the end of the period and average number of shares during the period have been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

*Statement relating to the status of quarterly review procedures

This summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act, and quarterly financial statement review procedures based on the Financial Instruments and Exchange Act are not yet completed at the time of disclosure of this report.

*Explanation for the proper use of earnings projections, and other special matters

(Caution on description of future events, etc.)

The preceding projections are based on information available at the time of the publication of these materials, and are not intended as pledges on the part of the Company that the said projections will be achieved. Actual results may differ materially from projections due to various factors that may occur in the future. For the assumptions on which these earnings projections were based, see “1. Qualitative Information on Quarterly Settlement of Accounts, (3) Explanation of Consolidated Earnings Projections and other Forecasts” on page 3 of the attachment.

(How to acquire supplementary materials)

Supplementary materials were published on TDnet as of November 2, 2016, and they were published on the Company’s website on the same date.

(How to acquire materials for briefing session)

The Company has scheduled a briefing session for institutional investors and analysts on November 21, 2016. Soon after the session is over, the presentation materials distributed during the event will be posted on the Company’s website (Japanese only).

(Dividends and earnings projections after share consolidation)

Having received the approval of the 39th annual general meeting of shareholders, which convened on June 28, 2016, the Company implemented a consolidation of its common shares at the ratio of 10 shares to 1 share effective October 1, 2016. Accordingly, with regard to projected results for the fiscal year ending March 31, 2017, the dividend per share for the fiscal year end and the amount of earnings per share for the full fiscal year reflect the share consolidation.

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1. Qualitative Information on Quarterly Settlement of Accounts

(1) Explanation of Operating Results

Regarding the world economy during the cumulative second quarter under review, advanced countries maintained a recovery trend, with the U.S. economy being supported by robust personal consumption. However, the economic outlook on the whole remains uncertain amid continued economic slowdown in China despite an improvement in infrastructure investment and concern about the impact of Brexit.

The Japanese economy experienced adverse economic conditions such as lackluster private consumption and the appreciation of the yen, which prompted, among other things, a fall in earnings among export companies. On the whole, however, the economy continued on a modest recovery path, with the robust employment environment and an improvement in capital investment.

Against this business environment, the Company's consolidated earnings were as follows: Net sales were ¥862.6 billion, down ¥129.0 billion (13.0%) from the corresponding period of the previous fiscal year. Operating income remained stable at ¥13.5 billion. Ordinary income was ¥13.6 billion, down ¥1.7 billion (11.7%). Quarterly profit attributable to owners of parent was ¥8.7 billion, down ¥1.0 billion (10.8%).

Earnings for reportable segments are as below.

(Steel)

In the Steel business, nationwide crude steel production during the first half of FY2016 was up 0.9% compared with the corresponding period of the previous year, but domestic shipments of ordinary steel were down year on year for the twenty-second consecutive month. The domestic demand for construction projects and infrastructure development remained sluggish owing to factors such as restrictions on supply due to personnel shortages. Markets overseas were on a recovery trend, but there was a growing trend of protective trade among countries in reaction to massive Chinese steel exports. Against this business environment, the Company increased its sales volume in Japan and overseas compared with the corresponding period of the previous year, but sales prices declined significantly, reflecting the influence of the strong yen. As a result, net sales in the Steel segment reached ¥670.2 billion, down ¥112.4 billion (14.4%), and ordinary income was ¥8.0 billion, down ¥1.8 billion (18.9%) due to the recording of gain on reversal of allowance for doubtful accounts during the corresponding period of the previous fiscal year.

(Industrial Supply and Infrastructure)

In the Industrial Supply and Infrastructure business, net sales reached ¥41.7 billion, down ¥7.7 billion (15.7%) due to a decline in Russia-bound exports of steel products for line pipes. Furthermore, ordinary income was ¥1.2 billion, down ¥1.4 billion (53.0%), reflecting the absence of temporary profits in a Thailand-based entity related to the entity's merger.

(Textiles)

In the Textiles business, net sales were ¥76.8 billion, down ¥5.1 billion (6.3%), because of the continuing harsh sales environment. However, ordinary income reached ¥2.4 billion, up ¥1.1 billion (89.6%). This result was achieved because there was a decline in costs reflecting the impact of the strong yen, and an improvement in the profits among group companies.

(Foodstuffs)

In the Foodstuffs business, meat prices continued to be bearish on the whole, resulting in net sales of ¥72.9 billion, down ¥3.5 billion (4.7%). On the other hand, thanks to an improvement in profit margins, ordinary income reached ¥1.7 billion, up ¥300 million (24.3%).

(2) Explanation of Financial Position

A. Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review were ¥631.7 billion (down ¥28.9 billion from the end of the previous fiscal year) due to a decrease in trade receivables and inventories.

Total liabilities were ¥444.7 billion (down ¥25.6 billion from the end of the previous fiscal year) due to a decrease in accounts payable.

Total net assets were ¥187.0 billion (down ¥3.2 billion from the end of the previous fiscal year) due to a decrease in foreign currency translation adjustment and the payment of dividends, which offset the recording of profit attributable to owners of parent for the cumulative second quarter under review.

B. Cash Flows

Cash and cash equivalents at the end of the second quarter under review decreased ¥100 million from the end of the previous fiscal year to ¥18.7 billion.

Net cash provided by operating activities during the cumulative second quarter amounted to ¥8.9 billion (compared to ¥15.6 billion provided a year before). This result was due to profit attributable to owners of parent and it was also due to the decrease in notes and accounts receivable - trade being greater than the decrease in notes and accounts payable - trade. Net cash used in investing activities was ¥1.7 billion (compared to ¥3.0 billion used a year before) due to factors such as purchase of property, plant and equipment by consolidated subsidiaries. Net cash used in financing activities was ¥5.5 billion (compared to ¥9.5 billion used a year before) due to a decrease in loans payable following a decrease in working capital, etc.

(3) Explanation of Consolidated Earnings Projections and Other Forecasts

Regarding the consolidated earnings projections for the fiscal year ending March 31, 2017, in view of the cumulative second quarter results, the forecast for net sales has been revised down. The new forecast for net sales is ¥1,880.0 billion, down ¥90.0 billion. However, taking into consideration factors such as the steady progress in implementing the policies outlined in the Medium-Term Management Plan and the improvement in profit margin following cost-cutting measures, earnings projections remain the same as forecasted at the beginning of the fiscal year. The forecast for operating income is ¥29.0 billion, the forecast for ordinary income is ¥30.0 billion, and the forecast for profit attributable to owners of parent is ¥17.5 billion.

2. Notes on Summary Information

(1) Material Changes in Consolidated Subsidiaries during the Cumulative Consolidated Period

Not applicable.

(2) Use of Special Accounting Methods for Creating Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes of Accounting Policies, Changes of Accounting Estimates and Retrospective Restatements

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

The Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan [ASBJ], Practical Issues Task Force No. 32, issued on June 17, 2016) from the first quarter of this fiscal year. Accordingly, the depreciation method has been changed from the declining-balance method to the straight-line method for the facilities of buildings and structures acquired on or after April 1, 2016.

The above has minor impact on quarterly consolidated financial statements with respect to the cumulative second quarter under review.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the Accounting Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of this fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Previous Fiscal Year (As of March 31, 2016)	Second Quarter Under Review (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	19,767	19,361
Notes and accounts receivable - trade	393,147	373,853
Inventories	96,614	90,405
Other	17,730	22,441
Allowance for doubtful accounts	(1,380)	(1,278)
Total current assets	525,878	504,783
Non-current assets		
Property, plant and equipment	60,625	57,135
Intangible assets		
Goodwill	136	113
Other	922	748
Total intangible assets	1,058	862
Investments and other assets		
Other	77,245	72,831
Allowance for doubtful accounts	(4,143)	(3,854)
Total investments and other assets	73,102	68,976
Total non-current assets	134,786	126,974
Total assets	660,664	631,758
Liabilities		
Current liabilities		
Notes and accounts payable - trade	217,260	201,507
Short-term loans payable	134,771	129,356
Income taxes payable	4,650	4,160
Provision	3,658	3,734
Other	27,367	25,688
Total current liabilities	387,707	364,447
Non-current liabilities		
Long-term loans payable	70,840	69,416
Provision	493	502
Net defined benefit liability	1,879	1,866
Other	9,478	8,507
Total non-current liabilities	82,692	80,292
Total liabilities	470,400	444,739
Net assets		
Shareholders' equity		
Capital stock	12,335	12,335
Capital surplus	50,649	50,749
Retained earnings	101,678	108,176
Treasury shares	(117)	(120)
Total shareholders' equity	164,546	171,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,817	3,823
Deferred gains or losses on hedges	(1,272)	(903)
Foreign currency translation adjustment	5,659	(1,760)
Remeasurements of defined benefit plans	(237)	(148)
Total accumulated other comprehensive income	8,966	1,011
Non-controlling interests	16,751	14,866
Total net assets	190,264	187,018
Total liabilities and net assets	660,664	631,758

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Cumulative Second Quarter)

(Millions of yen)

	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2015 to September 30, 2015)	Cumulative Second Quarter Under Review (April 1, 2016 to September 30, 2016)
Net sales	991,717	862,644
Cost of sales	925,633	801,744
Gross profit	66,083	60,899
Selling, general and administrative expenses	52,522	47,302
Operating income	13,561	13,597
Non-operating income		
Interest income	250	180
Dividend income	523	476
Share of profit of entities accounted for using equity method	1,933	697
Purchase discounts	340	233
Other	753	571
Total non-operating income	3,800	2,159
Non-operating expenses		
Interest expenses	1,306	1,298
Foreign exchange losses	149	570
Other	495	274
Total non-operating expenses	1,950	2,144
Ordinary income	15,411	13,613
Extraordinary income		
Gain on sales of non-current assets	-	107
Gain on sales of investment securities	171	79
Gain on sales of investments in capital	2	-
Total extraordinary income	173	187
Extraordinary losses		
Impairment loss	-	59
Loss on sales of investment securities	-	58
Loss on valuation of investment securities	196	91
Loss on valuation of investments in capital	-	38
Loss on change in equity	111	13
Loss on liquidation of subsidiaries and associates	998	215
Total extraordinary losses	1,306	476
Profit before income taxes	14,277	13,323
Income taxes	4,034	4,120
Profit	10,243	9,203
Profit attributable to non-controlling interests	393	417
Profit attributable to owners of parent	9,849	8,786

(Quarterly Consolidated Statements of Comprehensive Income)

(Cumulative Second Quarter)

(Millions of yen)

	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2015 to September 30, 2015)	Cumulative Second Quarter Under Review (April 1, 2016 to September 30, 2016)
Profit	10,243	9,203
Other comprehensive income		
Valuation difference on available-for-sale securities	(175)	(994)
Deferred gains or losses on hedges	(516)	370
Foreign currency translation adjustment	330	(6,438)
Remeasurements of defined benefit plans, net of tax	26	89
Share of other comprehensive income of entities accounted for using equity method	(536)	(2,666)
Total other comprehensive income	(871)	(9,639)
Comprehensive income	9,371	(436)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,834	821
Comprehensive income attributable to non-controlling interests	537	(1,258)

(3) Quarterly Consolidated Cash Flow Statements

(Millions of yen)

	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2015 to September 30, 2015)	Cumulative Second Quarter Under Review (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	14,277	13,323
Depreciation	2,914	2,605
Impairment loss	-	59
Amortization of goodwill	29	22
Increase (decrease) in allowance for doubtful accounts	(423)	(267)
Increase (decrease) in provision	306	90
Increase (decrease) in net defined benefit liability	(4)	6
Interest and dividend income	(773)	(657)
Interest expenses	1,306	1,298
Share of (profit) loss of entities accounted for using equity method	(1,933)	(697)
Loss (gain) on sales of non-current assets	-	(107)
Loss (gain) on sales of investment securities	(171)	(20)
Loss (gain) on valuation of investment securities	196	91
Loss (gain) on sales of investments in capital	(2)	-
Loss on valuation of investments in capital	-	38
Decrease (increase) in notes and accounts receivable - trade	24,465	14,363
Decrease (increase) in inventories	1,923	2,766
Increase (decrease) in notes and accounts payable - trade	(15,162)	(12,530)
Other, net	(5,469)	(6,809)
Subtotal	21,478	13,577
Interest and dividend income received	1,667	1,313
Interest expenses paid	(1,268)	(1,268)
Income taxes paid	(6,223)	(4,698)
Net cash provided by (used in) operating activities	15,653	8,924
Cash flows from investing activities		
Decrease (increase) in time deposits	(465)	162
Purchase of property, plant and equipment	(2,273)	(1,833)
Proceeds from sales of property, plant and equipment	68	205
Purchase of intangible assets	(19)	(2)
Purchase of investment securities	(632)	(700)
Proceeds from sales of investment securities	203	325
Decrease (increase) in short-term loans receivable	(152)	(70)
Payments of long-term loans receivable	(25)	(12)
Collection of long-term loans receivable	51	31
Other, net	243	169
Net cash provided by (used in) investing activities	(3,003)	(1,725)

(Millions of yen)

	Cumulative Second Quarter of Previous Fiscal Year (April 1, 2015 to September 30, 2015)	Cumulative Second Quarter Under Review (April 1, 2016 to September 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(28,168)	(1,358)
Proceeds from long-term loans payable	24,440	350
Repayments of long-term loans payable	(2,658)	(1,163)
Cash dividends paid	(1,855)	(2,318)
Dividends paid to non-controlling interests	(456)	(526)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(424)	(92)
Other, net	(431)	(442)
Net cash provided by (used in) financing activities	(9,555)	(5,551)
Effect of exchange rate change on cash and cash equivalents	103	(1,893)
Net increase (decrease) in cash and cash equivalents	3,198	(246)
Cash and cash equivalents at beginning of period	27,359	18,904
Increase in cash and cash equivalents from newly consolidated subsidiary	48	115
Cash and cash equivalents at end of period	30,606	18,774

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes to Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I Cumulative Second Quarter of Previous Fiscal Year (April 1, 2015 to September 30, 2015)

1 Information on sales and income/loss in each reporting segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	782,730	49,491	82,028	76,499	990,748	968	991,717	–	991,717
Intersegment sales or transfers	443	769	1	–	1,215	58	1,274	(1,274)	–
Total	783,174	50,260	82,030	76,499	991,964	1,026	992,991	(1,274)	991,717
Segment income (Ordinary income)	9,946	2,696	1,301	1,408	15,353	62	15,416	(4)	15,411

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The downward adjustment of ¥4 million in "segment income" represents the elimination of inter-segment trade.
3. The total income of the "reportable segments" and "others" aligns with the ordinary income in the quarterly consolidated statement of income excepting the downward adjustment of ¥4 million.

2 Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.

II Cumulative Second Quarter Under Review (April 1, 2016 to September 30, 2016)

1 Information on sales and income/loss in each reporting segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjusted amount (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Total				
Net sales									
Sales to external customers	670,292	41,712	76,845	72,918	861,768	875	862,644	–	862,644
Intersegment sales or transfers	445	629	2	–	1,076	82	1,159	(1,159)	–
Total	670,737	42,342	76,847	72,918	862,845	958	863,803	(1,159)	862,644
Segment income (Ordinary income)	8,065	1,268	2,467	1,751	13,552	57	13,610	2	13,613

- (Notes) 1. "Others" represents items not included under "reportable segments," and it includes real estate business.
2. The adjustment of ¥2 million in "segment income" represents the elimination of inter-segment trade.
3. The total income of the "reportable segments" and "others" aligns with the ordinary income in the quarterly consolidated statement of income excepting the adjustment of ¥2 million.

2 Information on impairment loss on non-current assets, goodwill, etc., for each reporting segment

Not applicable.

(Subsequent Events)

(Share consolidation)

The Company resolved, at the meeting of the board of directors held on May 10, 2016, to make a partial amendment of the Articles of Incorporation to change the number of shares in share unit (from 1,000 shares to 100 shares). The Company also submitted proposals for the share consolidation (shares to be consolidated at the ratio of 10 shares to 1 share; total number of authorized shares to be changed from 500,000,000 shares to 50,000,000 shares) to the annual general meeting of shareholders held on June 28 of the same year, and these proposals were subsequently approved. The partial amendment of the Articles of Incorporation and the share consolidation took effect on October 1, 2016.