

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (Fiscal Year 2024) (Three Months Ended June 30, 2023) <Under Japanese GAAP>

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 Scheduled date of payment of dividend: –
 Preparation of supplementary materials for quarterly financial results: None

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

1. Consolidated Financial Results for the First Quarter (from April 1, 2023 to June 30, 2023) of Fiscal Year 2024

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	76,625	(15.9)	4,876	61.0	4,894	48.2	3,944	92.5
Three months ended June 30, 2022	91,060	40.3	3,029	38.6	3,302	28.2	2,049	56.7

Note: Comprehensive income Three months ended June 30, 2023: 3,519 million yen [(40.8)%]
Three months ended June 30, 2022: 5,945 million yen [19.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	90.74	–
Three months ended June 30, 2022	47.14	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	330,663	190,861	54.8
As of March 31, 2023	337,713	190,174	53.2

Reference: Equity As of June 30, 2023: 181,093 million yen
As of March 31, 2023: 179,687 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2023	–	15.00	–	65.00	80.00
Fiscal Year 2024	–	–	–	–	–
Fiscal Year 2024 (Forecast)	–	15.00	–	55.00	70.00

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

The year-end dividend for the fiscal year ended March 31, 2023, includes a commemorative dividend of 5 yen per share for the 75th anniversary of the foundation of the Company.

3. Forecasts of Consolidated Earnings for Fiscal Year 2024 (from April 1, 2023 to March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	157,000	(14.1)	9,000	47.9	8,500	31.1	6,000	47.9	138.06
Full year	335,000	(5.8)	20,000	35.0	18,000	22.7	12,000	(8.4)	276.12

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

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: None

Excluded: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common shares)

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

As of June 30, 2023	44,898,730 shares
As of March 31, 2023	44,898,730 shares

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

As of June 30, 2023	1,439,755 shares
As of March 31, 2023	1,439,755 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	43,458,975 shares
Three months ended June 30, 2022	43,458,975 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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 three months of the fiscal year ending March 31, 2024, the Japanese economy showed signs of recovery, with consumer spending and capital investment picking up gradually due to the effects of various policies. The global economy was also on a recovery track as a whole, although it remained weak in some regions due to downside risks from monetary tightening and rising prices. Amid these circumstances, consolidated net sales of the Kyoei Steel Group in the first three months of the fiscal year ending March 31, 2024, decreased by 14,435 million yen (15.9%) year on year to 76,625 million yen, consolidated operating profit increased by 1,847 million yen (61.0%) year on year to 4,876 million yen, consolidated ordinary profit increased by 1,592 million yen (48.2%) year on year to 4,894 million yen, and profit attributable to owners of parent increased by 1,895 million yen (92.5%) year on year to 3,944 million yen.

Results by business segment are as follows.

1) Domestic Steel Business

For this business segment, product shipments increased by 4,000 tons from the same period of the previous fiscal year to 409,000 tons amid firm domestic demand for construction. Steel scrap prices have been soft since April, falling 11,000 yen (17.7%) year on year, but product prices rose 9,000 yen (9.2%) year on year due to efforts to raise and maintain product prices against a backdrop of high electricity and transportation costs, resulting in the sales margins widened by 20,000 yen (56.3%).

As a result, segment net sales increased by 2,813 million yen (7.2%) year on year to 41,753 million yen and operating profit increased by 5,258 million yen (551.9%) year on year to 6,210 million yen.

2) Overseas Steel Business

Kyoei Steel operates steel businesses in Vietnam and North America (the United States and Canada), both of which have a fiscal year-end of December 31.

In Vietnam, demand for real estate and construction, which has deteriorated since the second half of the previous year, showed no signs of recovery due to interest rate hikes and tightening regulations on lending to the real estate industry, caused by increased scrutiny following the corruption scandals involving major real estate developers, forcing sales and production cuts at all production bases and resulting in a difficult business performance.

In North America, despite strong construction demand, the performance was weak due to production cutbacks caused by equipment troubles and the implementation of regular maintenance.

As a result, segment net sales decreased by 17,104 million yen (34.8%) to 32,004 million yen, and there was an operating loss of 1,321 million yen (compared with an operating profit of 1,851 million yen in the same period of the previous fiscal year).

3) Material Recycling Business

Although demand for waste treatment was firm, the volume of orders received declined due to the quieting down of medical waste treatment projects related to COVID-19. Accordingly, segment sales decreased by 263 million yen (13.9%) year on year to 1,635 million yen and operating profit decreased by 207 million yen (44.0%) year on year to 263 million yen.

4) Others

This category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales increased by 119 million yen (10.6%) year on year to 1,233 million yen, and operating profit increased by 21 million yen (compared with an operating loss of 75 million yen in the same period of the previous fiscal year).

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

Current assets decreased by 8,361 million yen, or 4.0%, from the end of the previous fiscal year to 202,230 million yen. This was attributable mainly to increases of 2,647 million yen in electronically recorded monetary claims - operating and 4,841 million yen in merchandise and finished goods, and decreases of 11,003 million yen in cash and deposits, 1,709 million yen in accounts receivable - trade, and 3,190 million yen in raw materials and supplies.

Non-current assets increased by 1,310 million yen, or 1.0%, from the end of the previous fiscal year to 128,433 million yen. This was attributable mainly to increases of 251 million yen in land, 894 million yen in other, net under property, plant and equipment, 458 million yen in investment securities, 302 million yen in deferred tax assets, and 188 million yen in other under investments and other assets, and decreases of 240 million yen in buildings and structures, and 519 million yen in machinery, equipment and vehicles.

As a result, total assets decreased by 7,050 million yen, or 2.1%, from the end of the previous fiscal year to 330,663 million yen.

Liabilities

Current liabilities decreased by 7,457 million yen, or 7.5%, from the end of the previous fiscal year to 92,178 million yen. This was attributable mainly to increases of 2,353 million yen in notes and accounts payable - trade, 159 million yen in electronically recorded obligations - operating and 403 million yen in income taxes payable, and decreases of 7,754 million yen in short-term borrowings and 2,606 million yen in other under current liabilities.

Non-current liabilities decreased by 281 million yen, or 0.6%, from the end of the previous fiscal year to 47,624 million yen. This was attributable mainly to decreases of 219 million yen in long-term borrowings and 47 million yen in deferred tax liabilities.

As a result, total liabilities decreased by 7,737 million yen, or 5.2%, from the end of the previous fiscal year to 139,802 million yen.

Net assets

Net assets increased by 687 million yen, or 0.4%, from the end of the previous fiscal year to 190,861 million yen. This was attributable mainly to the recording of profit attributable to owners of parent of 3,944 million yen, increases of 183 million yen in valuation difference on available-for-sale securities and 114 million yen in foreign currency translation adjustment, and decreases of 719 million yen in non-controlling interests and 2,825 million yen due to dividends of retained earnings.

As a result, equity-to-asset ratio increased from 53.2% at the end of the previous fiscal year to 54.8%.

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

For the domestic steel business in the second quarter of the fiscal year ending March 31, 2024, product shipments are expected to be generally in line with the initial plan, although current demand lacks momentum due to the off-season of demand and the impact of construction delays caused by labor shortages. Although steel scrap prices are expected to remain less than initial projections, we will strive to further reduce costs and maintain product prices, as we expect various costs related to production and shipments to continue to remain high, including increases in the subsidiary material costs and responses to transportation problems. Given the current situation, the sales margins are expected to be expanded than expected, and the performance for the second quarter of the first six months of the fiscal year ending March 31, 2024 is expected to be much larger than originally planned.

As for the overseas steel business, in Vietnam, there is no sign of improvement in the business environment even after March, the original demand season. We will continue to work on minimizing losses by reducing manufacturing costs and improving the production system to match the sales volume. In North America, however, although there are concerns about the risk of economic downturn, such as a contraction in consumer spending and capital investment due to financial

instability and monetary tightening caused by the U.S. regional bank failures, construction demand remains firm and the business performance is expected to be strong.

Based on this outlook, we have revised our forecasts, which was announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Fiscal Year 2023)” on April 28, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	57,746	46,743
Notes receivable - trade	725	494
Accounts receivable - trade	60,539	58,830
Electronically recorded monetary claims - operating	20,092	22,739
Merchandise and finished goods	37,040	41,881
Raw materials and supplies	30,476	27,286
Other	4,266	4,555
Allowance for doubtful accounts	(293)	(299)
Total current assets	210,591	202,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,754	24,514
Machinery, equipment and vehicles, net	41,312	40,793
Land	31,187	31,438
Other, net	4,941	5,835
Total property, plant and equipment	102,194	102,581
Intangible assets		
Goodwill	829	811
Other	3,164	3,080
Total intangible assets	3,993	3,891
Investments and other assets		
Investment securities	14,065	14,524
Long-term loans receivable	243	222
Retirement benefit asset	3,983	4,082
Deferred tax assets	731	1,033
Other	1,949	2,136
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	20,936	21,962
Total non-current assets	127,123	128,433
Total assets	337,713	330,663

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,370	18,724
Electronically recorded obligations - operating	2,623	2,782
Short-term borrowings	58,342	50,588
Current portion of long-term borrowings	4,235	4,267
Income taxes payable	1,604	2,007
Provision for bonuses	966	923
Other	15,494	12,888
Total current liabilities	99,635	92,178
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	26,960	26,741
Deferred tax liabilities	3,636	3,589
Deferred tax liabilities for land revaluation	2,394	2,394
Retirement benefit liability	3,344	3,368
Other	1,570	1,532
Total non-current liabilities	47,904	47,624
Total liabilities	147,539	139,802
Net assets		
Shareholders' equity		
Share capital	18,516	18,516
Capital surplus	19,716	19,716
Retained earnings	125,499	126,618
Treasury shares	(1,700)	(1,700)
Total shareholders' equity	162,030	163,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,190	2,373
Deferred gains or losses on hedges	109	90
Revaluation reserve for land	4,536	4,536
Foreign currency translation adjustment	7,559	7,674
Remeasurements of defined benefit plans	3,264	3,272
Total accumulated other comprehensive income	17,657	17,944
Non-controlling interests	10,487	9,767
Total net assets	190,174	190,861
Total liabilities and net assets	337,713	330,663

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	91,060	76,625
Cost of sales	83,444	66,739
Gross profit	7,617	9,885
Selling, general and administrative expenses	4,587	5,009
Operating profit	3,029	4,876
Non-operating income		
Interest income	145	246
Dividend income	168	211
Share of profit of entities accounted for using equity method	190	574
Foreign exchange gains	16	-
Other	149	100
Total non-operating income	668	1,131
Non-operating expenses		
Interest expenses	364	1,000
Foreign exchange losses	-	75
Other	31	39
Total non-operating expenses	395	1,113
Ordinary profit	3,302	4,894
Extraordinary income		
Gain on sale and retirement of non-current assets	20	9
Total extraordinary income	20	9
Extraordinary losses		
Loss on sale and retirement of non-current assets	80	21
Other	1	0
Total extraordinary losses	81	21
Profit before income taxes	3,240	4,882
Income taxes	914	1,735
Profit	2,326	3,147
Profit (loss) attributable to non-controlling interests	278	(797)
Profit attributable to owners of parent	2,049	3,944

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,326	3,147
Other comprehensive income		
Valuation difference on available-for-sale securities	(164)	183
Deferred gains or losses on hedges	171	(20)
Foreign currency translation adjustment	3,478	200
Remeasurements of defined benefit plans, net of tax	133	8
Total other comprehensive income	3,618	372
Comprehensive income	5,945	3,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,908	4,231
Comprehensive income attributable to non-controlling interests	1,037	(712)

(3) Notes to Quarterly Consolidated Financial Statements**Notes on Going Concern Assumption**

Not applicable.

Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable.

Segment and Other Information

I. First three months of the fiscal year ended March 31, 2023 (from April 1, 2022 to June 30, 2022)

1. Information related to net sales and profit/loss for each reportable segment and information on disaggregation of revenue

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	38,940	49,108	1,898	89,946	1,114	–	91,060
Sales to external customers	38,940	49,108	1,898	89,946	1,114	–	91,060
Inter-segment sales and transfers	1	–	117	118	250	(368)	–
Total	38,941	49,108	2,015	90,064	1,364	(368)	91,060
Segment profit (loss)	953	1,851	470	3,274	(75)	(169)	3,029

- Notes:
1. "Others" represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
 2. The adjustment of (169) million yen to "segment profit (loss)" includes 16 million yen in eliminations for inter-segment transactions and (185) 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. "Segment profit (loss)" is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses of non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023)

1. Information related to net sales and profit/loss for each reportable segment and information on disaggregation of revenue

(Millions of yen)

	Reportable segments				Others (Note 1)	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net sales							
Revenue from contracts with customers	41,753	32,004	1,635	75,392	1,233	–	76,625
Sales to external customers	41,753	32,004	1,635	75,392	1,233	–	76,625
Inter-segment sales and transfers	1	–	118	120	203	(323)	–
Total	41,755	32,004	1,753	75,512	1,436	(323)	76,625
Segment profit (loss)	6,210	(1,321)	263	5,153	21	(298)	4,876

- Notes:
1. “Others” represent the businesses which are not included in any of the reportable segments and mainly consist of harbor operation, castings, civil engineering materials sales and insurance agent businesses.
 2. The adjustment of (298) million yen to “segment profit (loss)” includes 7 million yen in eliminations for intersegment transactions and (304) 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. “Segment profit (loss)” is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses of non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in the amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.