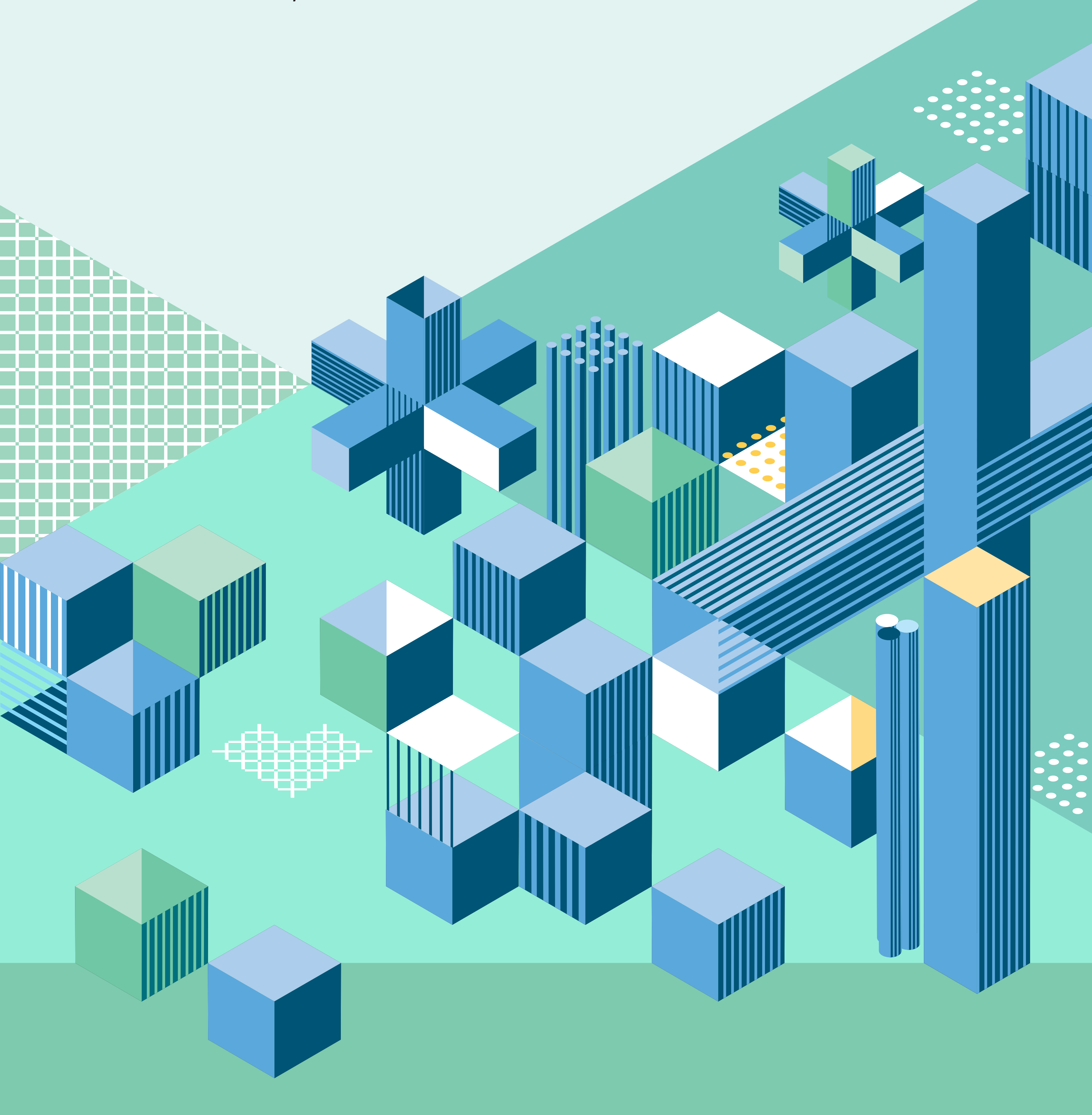
KYOEI STEEL

KYOEI STEEL INTEGRATED REPORT 2024

FINANCIAL SECTION

Year Ended March 31, 2024



FINANCIAL SECTION

FINANCIAL SECTION

Consolidated Ten-Year Summary

For the years ended March 31, 2015 through 2024

	2015	2016	2017	2018	2019
Product shipments	Thousands of tonnes				
Finished products (total)	2,338	2,429	2,662	2,965	3,269
Domestic	1,680	1,641	1,662	1,682	1,747
Overseas	657	788	999	1,284	1,522
For the year:	Millions of yen				
Net sales	¥ 181,436	¥ 160,952	¥ 145,991	¥ 191,254	¥ 242,257
Gross profit	21,900	23,889	18,726	16,472	23,474
Operating income	11,796	13,792	7,971	4,259	9,200
Income before income taxes	10,730	12,432	7,698	5,449	8,444
Profit (loss) attributable to owners of parent	6,923	8,467	4,783	3,483	6,505
Research and development expenses	231	104	119	177	169
Depreciation and amortization	4,147	5,026	5,961	6,663	7,476
Capital expenditures	15,920	10,103	7,262	5,803	5,507
Per share amounts (yen):					
Net income (loss), basic	159.30	194.94	110.41	80.31	149.78
Net income (loss), diluted	—	—	—	—	—
Cash dividends applicable to the year	35.00	45.00	30.00	40.00	40.00
At year-end:					
Total assets	¥ 201,760	¥ 200,436	¥ 214,341	¥ 234,220	¥ 261,590
Working capital	81,872	83,565	93,301	105,791	126,734
Interest bearing debt	32,810	33,149	41,414	50,088	69,247
Net assets	138,052	143,090	146,663	148,460	153,781
Shareholders' equity*	129,546	134,886	138,365	140,010	143,407
Net assets amount per share	2,980.84	3,115.86	3,192.02	3,225.85	3,299.82
Ratios:					
Return on sales (%)	6.5	8.6	5.5	2.2	3.8
Return on equity (%)	5.5	6.4	3.5	2.5	4.6
Return on total assets (%)	6.6	7.1	4.1	2.2	4.0
Net debt to equity ratio (times)	(0.06)	(0.09)	(0.05)	0.06	0.16
Shareholders' equity* to total assets (%)	64.2	67.3	64.6	59.8	54.8
Other statistics:					
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899
Number of employees	1,741	1,806	2,341	2,430	3,200
Stock price (yen)**:**					
High	¥ 2,286	¥ 2,455	¥ 2,349	¥ 2,295	¥ 2,510
Low	¥ 1,618	¥ 1,584	¥ 1,387	¥ 1,594	¥ 1,473

2020	2021	2022	2023	2024	
Thousands of tonnes					**Product shipments**
3,367	3,363	3,318	3,284	**3,072**	Finished products (total)
1,645	1,573	1,581	1,545	**1,582**	Domestic
1,722	1,790	1,737	1,739	**1,490**	Overseas
Millions of yen					**For the year:**
¥ 239,343	¥ 226,371	¥ 292,719	¥ 355,715	**¥ 320,982**	Net sales
34,743	28,258	25,899	34,274	**41,970**	Gross profit
19,404	12,656	8,819	14,819	**21,055**	Operating income
13,520	12,735	10,081	13,629	**15,316**	Income before income taxes
7,978	8,788	6,322	13,108	**13,826**	Profit (loss) attributable to owners of parent
180	231	235	272	**236**	Research and development expenses
7,719	8,402	8,840	9,770	**9,861**	Depreciation and amortization
8,894	10,863	12,971	9,332	**11,499**	Capital expenditures
					Per share amounts (yen):
183.56	202.22	145.48	301.61	**318.13**	Net income (loss), basic
—	—	—	—	**—**	Net income (loss), diluted
75.00	60.00	40.00	80.00	**90.00**	Cash dividends applicable to the year
					At year-end:
¥ 269,145	¥ 282,282	¥ 314,203	¥ 337,713	**¥ 354,217**	Total assets
128,115	139,622	160,441	173,532	**173,093**	Working capital
72,407	79,272	95,584	100,897	**94,011**	Interest bearing debt
158,044	164,583	175,689	190,174	**201,430**	Net assets
147,671	154,429	162,955	179,687	**194,640**	Shareholders' equity*
3,397.93	3,553.45	3,749.63	4,134.64	**4,478.71**	Net assets amount per share
					Ratios:
8.1	5.6	3.0	4.2	**6.6**	Return on sales (%)
5.5	5.8	4.0	7.7	**7.4**	Return on equity (%)
7.6	4.9	3.3	4.9	**6.5**	Return on total assets (%)
0.10	0.07	0.27	0.23	**0.18**	Net debt to equity ratio (times)
54.9	54.7	51.9	53.2	**54.9**	Shareholders' equity* to total assets (%)
					Other statistics:
44,899	44,899	44,899	44,899	**44,899**	Number of shares outstanding (thousands)
3,605	3,985	4,021	3,972	**3,938**	Number of employees
					Stock price (yen)**:**
¥ 2,314	¥ 1,775	¥ 1,712	¥ 1,706	**¥ 2,472**	High
¥ 1,161	¥ 1,153	¥ 1,243	¥ 1,217	**¥ 1,531**	Low

*Shareholders' equity = Net assets − Noncontrolling interests
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 2022. Figures for the fiscal year ended March 2022 and after reflect the relevant accounting standards, etc.

Financial Review (Consolidated)

1. Consolidated Operating Results

(1) Operating Results

During the fiscal year ended March 31, 2024, the Japanese economy gradually recovered due to the effects of various policies amid an improving employment and income environment. However, the outlook continues to require caution mainly due to rising prices and supply-side constraints resulting from the protracted situation in Russia and Ukraine, the situation surrounding the Middle East region, and fluctuations in financial and capital markets.
Amid these circumstances, consolidated net sales of the Group in the current fiscal year decreased by 34,733 million yen ($229,382 thousand) (9.8%) to 320,982 million yen ($2,119,810 thousand), consolidated operating profit increased by 6,236 million yen ($41,185 thousand) (42.1%) to 21,055 million yen ($139,049 thousand), consolidated ordinary profit increased by 6,363 million yen ($42,024 thousand) (43.4%) to 21,034 million yen ($138,911 thousand), and profit attributable to owners of parent increased by 718 million yen ($4,743 thousand) (5.5%) to 13,826 million yen ($91,307 thousand).

Results by business segment are as follows.

1) Domestic Steel Business

For the Domestic Steel Business segment, demand remained weak due mainly to rising construction costs caused by soaring construction material prices and construction delays caused by labor shortages, but the Group's product shipments increased by 37,000 tonnes to 1,582,000 tonnes. In terms of profits, while product prices were 3,800 yen ($25) (3.8%) higher than the previous fiscal year as an increase in product prices prevailed in the market, the price of steel scrap, a raw material, fell 2,100 yen ($14) (3.8%) due to a decline in demand from China and other overseas countries, resulting in an increase of 5,900 yen ($39) (12.3%) in the sales margins (the difference between the sales price of the product and the purchase price of raw materials).
As a result, segment net sales increased by 6,141 million yen ($40,559 thousand) (4.0%) to 159,722 million yen ($1,054,827 thousand) and operating profit increased by 9,345 million yen ($61,714 thousand) (63.5%) to 24,062 million yen ($158,909 thousand).

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, both the northern and southern bases posted losses for the full year amid a prolonged real estate recession. In the northern region, there were signs of recovery in the fourth quarter partly due to government-led infrastructure investment, but performance struggled partly due to competition for market share. In the southern region, demand for private housing remained sluggish, and the southern bases, which have mainly focused on residential applications, posted significant losses despite efforts to cut costs and to acquire project constructions.
In North America, the economy did not stall significantly due to various government support measures, and corporate capital investment and consumer spending both remained strong. Although demand for steel remained solid amid these circumstances, our bases in the U.S. were unable to achieve sufficient production and sales mainly due to the fire that occurred in the third quarter and manufacturing troubles caused by aging equipment, resulting in a loss. On the other hand, performance in Canada remained strong, as measures to reduce manufacturing costs were successful in and after the third quarter amid firm demand, and sales margins increased due to the high level of product prices.
As a result, segment net sales decreased by 39,527 million yen ($261,045 thousand) (20.8%) to 150,075 million yen ($991,121 thousand), and there was an operating loss of 2,827 million yen ($18,669 thousand) compared with an operating loss of 674 million yen in the previous fiscal year.

3) Material Recycling Business

For the Material Recycling Business segment, the number of medical waste treatment projects significantly decreased following the shift of COVID-19 to category 5, and shipments were temporarily suspended due to large-scale regular maintenance work at the Yamaguchi Division, the largest processing base of the Group. Accordingly, segment net sales decreased by 1,162 million yen ($7,677 thousand) (15.2%) to 6,483 million yen ($42,812 thousand) and operating profit decreased by 705 million yen ($4,659 thousand) (43.1%) to 933 million yen ($6,159 thousand).

4) Others

The Others category includes harbor operations in Vietnam and the casting business in Japan and Vietnam. Segment net sales decreased by 185 million yen ($1,219 thousand) (3.8%) to 4,702 million yen ($31,050 thousand), and operating profit was 80 million yen ($531 thousand) compared with an operating loss of 71 million yen in the previous fiscal year.

(2) Financial Position

1) Assets, liabilities and net assets

(i) Assets

For the fiscal year ended March 31, 2024, current assets increased by 10,300 million yen ($68,020 thousand), or 4.9%, from the end of the previous fiscal year to 220,891 million yen ($1,458,795 thousand). This was attributable mainly to increases of 5,157 million yen ($34,056 thousand) in accounts receivable - trade, 6,988 million yen ($46,152 thousand) in electronically recorded monetary claims - operating, and 1,008 million yen ($6,659 thousand) in other under current assets, and decreases of 108 million yen ($713 thousand) in cash and deposits, 223 million yen ($1,473 thousand) in merchandise and finished goods, and 2,287 million yen ($15,106 thousand) in raw materials and supplies.

Non-current assets increased by 6,204 million yen ($40,974 thousand), or 4.9%, from the end of the previous fiscal year to 133,326 million yen ($880,507thousand). This was attributable mainly to increases of 676 million yen ($4,465 thousand) in land, 3,729 million yen ($24,628 thousand) in construction in progress, 3,994 million yen ($26,380 thousand) in investment securities, 1,149 million yen ($7,590 thousand) in retirement benefit asset, 1,917

million yen ($12,657 thousand) in deferred tax assets, and 166 million yen ($1,097 thousand) in other under investments and other assets, and decreases of 3,214 million yen ($21,224 thousand) in buildings and structures, 1,749 million yen ($11,550 thousand) in machinery, equipment and vehicles, and 188 million yen ($1,242 thousand) in other under intangible assets.
As a result, total assets increased by 16,504 million yen ($108,995 thousand), or 4.9%, from the end of the previous fiscal year to 354,217 million yen ($2,339,302 thousand).

(ii) Liabilities

For the fiscal year ended March 31, 2024, current liabilities increased by 8,290 million yen ($54,748 thousand), or 8.3%, from the end of the previous fiscal year to 107,925 million yen ($712,756 thousand). This was attributable mainly to increases of 5,908 million yen ($39,018 thousand) in notes and accounts payable - trade, 318 million yen ($2,101 thousand) in electronically recorded obligations - operating, 541 million yen ($3,574 thousand) in current portion of long-term borrowings, and 5,424 million yen ($35,824 thousand) in income taxes payable, and decreases of 2,991 million yen ($19,752 thousand) in short-term borrowings and 898 million yen ($5,928 thousand) in other under current liabilities.

Long-term liabilities decreased by 3,043 million yen ($20,093 thousand), or 6.4%, from the end of the previous fiscal year to 44,862 million yen ($296,276 thousand). This was attributable mainly to increases of 628 million yen ($4,149 thousand) in deferred tax liabilities and 730 million yen ($4,818 thousand) in retirement benefit liability, and a decrease of 4,347 million yen ($28,711 thousand) in long-term borrowings. As a result, total liabilities increased by 5,248 million yen ($34,657 thousand), or 3.6%, from the end of the previous fiscal year to 152,787 million yen ($1,009,032 thousand).

(iii) Net assets

For the fiscal year ended March 31, 2024, net assets increased by 11,256 million yen ($74,338 thousand), or 5.9%, from the end of the previous fiscal year to 201,430 million yen ($1,330,270 thousand). This was attributable mainly to the recording of profit attributable to owners of parent of 13,826 million yen ($91,307 thousand), increases of 1,804 million yen ($11,914 thousand) in valuation difference on available-for-sale securities, 2,603 million yen ($17,189 thousand) in foreign currency translation adjustment, and 271 million yen ($1,793 thousand) in remeasurements of defined benefit plans, and decreases of 3,697 million yen ($24,415 thousand) in non controlling interests and 3,476 million yen ($22,958 thousand) due to dividends of retained earnings.
As a result, net assets per share increased by 344.07 yen ($2.3) from the end of the previous fiscal year to 4,478.71 yen ($29.6). Shareholder's equity to total assets increased from 53.2% at the end of the previous fiscal year to 54.9%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 6,327 million yen ($41,784 thousand) from the end of the previous fiscal year to 26,094 million yen ($172,326 thousand). The cash flow components during the current fiscal year and the main reasons for changes are as follows.

(i) Cash flows from operating activities

Net cash provided by operating activities was 24,290 million yen ($160,415 thousand). Major components included profit before income taxes of 15,316 million yen ($101,148 thousand), depreciation of 9,861 million yen ($65,123 thousand), impairment losses of 4,980 million yen ($32,890 thousand), expenditures of 129 million yen ($851 thousand) resulting in a working capital burden increase due to an increase in trade receivables at the end of the fiscal year, and interest paid of 3,504 million yen ($23,140 thousand).

(ii) Cash flows from investing activities

For the year ended March 31, 2024, net cash provided by investing activities was 17,048 million yen ($112,589 thousand). Major components of net cash were payments into time deposits of 55,695 million yen ($367,818 thousand), proceeds from the withdrawal of time deposits of 49,868 million yen ($329,337 thousand), purchases of property, plant and equipment for maintenance and renewal of existing steel manufacturing facilities, rationalization investments and the rationalization investments for production bases overseas of 10,435 million yen ($68,917 thousand).

(iii) Cash flows from financing activities

Net cash used in financing activities was 14,173 million yen ($93,600 thousand). Major components included a net decrease of 6,150 million yen ($40,615 thousand) in short-term loans, repayments of long-term debt of 4,306 million yen ($28,434 thousand), and dividends paid of 3,476 million yen ($22,958 thousand).

(3) Dividends

Pursuant to our fundamental principle of rewarding our shareholders by increasing corporate value, we endeavor to distribute dividends while ensuring appropriate reserves for business growth and enhancing the corporate structure from a long-term perspective. Accordingly, we plan to pay a year-end dividend of 75 yen ($0.49) per share for the fiscal year ended March 31,2024. Including the interim dividend of 15 yen ($0.10), total dividends per share for the fiscal year will be 90 yen ($0.59).

2. Basic Approach to the Selection of Accounting Standards

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

Consolidated Balance Sheets

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Assets			
Current assets			
Cash and time deposits	**¥ 57,638**	¥ 57,746	**$ 380,649**
Notes (Note 21)	**630**	725	**4,163**
Accounts receivable (Note 21)	**65,696**	60,539	**433,867**
Electronically recorded monetary claims – operating (Note 21)	**27,081**	20,092	**178,845**
Inventories (Note 5)	**65,005**	67,515	**429,302**
Other current assets	**5,275**	4,267	**34,836**
Allowance for doubtful accounts	**(434)**	(293)	**(2,867)**
Total current assets	**220,891**	210,591	**1,458,795**
Property, plant and equipment			
Buildings and structures	**65,640**	64,082	**433,499**
Machinery and equipment	**169,019**	160,946	**1,116,227**
Land (Note 6)	**31,863**	31,187	**210,428**
Construction in progress	**6,837**	3,108	**45,153**
Other	**5,649**	5,271	**37,304**
Total	**279,008**	264,594	**1,842,611**
Accumulated depreciation	**(177,560)**	(162,400)	**(1,172,633)**
Net property, plant and equipment	**101,448**	102,194	**669,978**
Investments and other assets			
Investments in securities (Note 17)	**5,693**	3,579	**37,603**
Unconsolidated subsidiaries and affiliated companies (Note 17)	**12,366**	10,486	**81,664**
Investments in long-term loans receivable	**187**	243	**1,235**
Net defined benefit asset (Note 13)	**5,132**	3,983	**33,892**
Goodwill	**797**	829	**5,263**
Other intangible assets	**2,976**	3,164	**19,653**
Deferred tax assets (Note 10)	**2,648**	731	**17,486**
Other noncurrent assets	**2,115**	1,949	**13,968**
Allowance for doubtful accounts	**(36)**	(36)	**(235)**
Total investments and other assets	**31,878**	24,928	**210,529**
Total assets	**¥ 354,217**	¥ 337,713	**$ 2,339,302**

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen 2024	2023	Thousands of U.S. dollars (Note 1) 2024
Liabilities and net assets			
Current liabilities			
Notes and accounts payable	¥ **22,279**	¥ 16,370	$ **147,131**
Electronically recorded obligations – operating	**2,941**	2,623	**19,422**
Short-term loans (Note 7)	**55,351**	58,342	**365,547**
Long-term debt due within one year (Note 7)	**4,776**	4,235	**31,543**
Income taxes payable	**7,029**	1,604	**46,420**
Accrued employee bonuses	**953**	966	**6,292**
Other current liabilities	**14,596**	15,495	**96,401**
Total current liabilities	**107,925**	99,635	**712,756**
Long-term liabilities			
Bonds	**10,000**	10,000	**66,041**
Long-term debt (Note 7)	**22,612**	26,960	**149,335**
Deferred tax liabilities (Note 10)	**4,265**	3,636	**28,165**
Deferred tax liabilities for revaluation (Note 6)	**2,394**	2,394	**15,808**
Net defined benefit liability (Note 13)	**4,074**	3,344	**26,906**
Other long-term liabilities	**1,517**	1,570	**10,021**
Total long-term liabilities	**44,862**	47,904	**296,276**
Total liabilities	**152,787**	147,539	**1,009,032**
Net assets (Note 11)			
Shareholders' equity			
Common stock	**18,516**	18,516	**122,280**
Authorized – 150,300,000 shares in 2024 and 150,300,000 shares in 2023			
Issued – 44,898,730 shares in 2024 and 44,898,730 shares in 2023			
Capital surplus	**19,636**	19,716	**129,681**
Retained earnings	**135,848**	125,498	**897,157**
Treasury stock	**(1,700)**	(1,700)	**(11,225)**
Total shareholders' equity	**172,300**	162,030	**1,137,893**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**3,993**	2,189	**26,373**
Deferred gains and losses on hedges	**114**	109	**751**
Revaluation reserve for land (Note 6)	**4,536**	4,536	**29,954**
Remeasurement of defined benefit plans	**3,535**	3,264	**23,348**
Foreign currency translation adjustments	**10,162**	7,559	**67,111**
Total accumulated other comprehensive income	**22,340**	17,657	**147,537**
Noncontrolling interests	**6,790**	10,487	**44,840**
Total net assets	**201,430**	190,174	**1,330,270**
Total liabilities and net assets	¥ **354,217**	¥ 337,713	$ **2,339,302**

Consolidated Statements of Income

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Net sales	**¥ 320,982**	¥ 355,715	**$ 2,119,810**
Cost of sales	**279,012**	321,441	**1,842,636**
Gross profit	**41,970**	34,274	**277,174**
Selling, general and administrative expenses	**20,915**	19,455	**138,125**
Operating income	**21,055**	14,819	**139,049**
Other income (expenses)			
Interest income	**1,128**	724	**7,446**
Dividend income	**363**	275	**2,395**
Interest expense	**(3,582)**	(2,584)	**(23,655)**
Share of profit of entities accounted for using equity method	**1,961**	1,420	**12,952**
Foreign exchange gains (losses)	**(235)**	(472)	**(1,549)**
Gain on sale and disposal of property, plant and equipment	**159**	68	**1,048**
Loss on sale and disposal of property, plant and equipment	**(457)**	(351)	**(3,017)**
Gain on sales of investments in securities	**—**	39	**—**
Impairment loss on fixed assets (Note 3, 19)	**(4,980)**	(1,068)	**(32,890)**
Loss on accident	**(1,241)**	(232)	**(8,194)**
Insurance income	**871**	493	**5,755**
Subsidy income	**—**	7	**—**
Other, net	**274**	491	**1,808**
Other income (expenses), net	**(5,739)**	(1,190)	**(37,901)**
Income before income taxes	**15,316**	13,629	**101,148**
Income taxes (Note 10)			
Current	**7,975**	2,062	**52,668**
Deferred	**(2,313)**	26	**(15,273)**
Total income taxes	**5,662**	2,088	**37,395**
Profit	**9,654**	11,541	**63,753**
Profit attributable to noncontrolling interests	**(4,172)**	(1,567)	**(27,554)**
Profit attributable to owners of parent	**¥ 13,826**	¥ 13,108	**$ 91,307**

Amounts per share (Note 14)	Yen		U.S. dollars (Note 1)
	2024	2023	**2024**
Net income			
Basic	**¥ 318.13**	¥ 301.61	**$ 2.10**
Diluted*	**—**	—	**—**
Cash dividends applicable to the year	**¥ 90.00**	¥ 80.00	**$ 0.59**

* As there was no dilutive stock outstanding during the year, the computation of diluted net income per share was not calculated.

Consolidated Statements of Comprehensive Income

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen 2024	 2023	Thousands of U.S. dollars (Note 1) 2024
Profit	**¥ 9,654**	¥ 11,541	**$ 63,753**
Other comprehensive income			
Valuation difference on available-for-sale securities	**1,804**	1,346	**11,914**
Deferred gains and losses on hedges	**2**	312	**15**
Remeasurement of defined benefit plans	**271**	1,102	**1,793**
Foreign currency translation adjustments	**3,009**	5,355	**19,870**
Other comprehensive income, net (Note 20)	**5,086**	8,115	**33,592**
Comprehensive income	**¥ 14,740**	¥ 19,656	**$ 97,345**
Comprehensive income attributable to:			
Owners of parent	**¥ 18,509**	¥ 19,868	**$ 122,238**
Noncontrolling interests	**¥ (3,769)**	¥ (212)	**$ (24,893)**

Consolidated Statements of Changes in Net Assets

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen 2024	Millions of yen 2023	Thousands of U.S. dollars (Note 1) 2024
Shareholders' equity			
Common stock			
Balance at the beginning of current period	¥ **18,516**	¥ 18,516	$ **122,280**
Balance at the end of current period	**18,516**	18,516	**122,280**
Capital surplus			
Balance at the beginning of current period	**19,716**	21,114	**130,206**
Changes during the period			
Change in ownership interest of parent due to transactions with noncontrolling interests	**(80)**	(1,398)	**(525)**
Total changes during the period	**(80)**	(1,398)	**(525)**
Balance at the end of current period	**19,636**	19,716	**129,681**
Retained earnings			
Balance at the beginning of current period	**125,498**	114,129	**828,808**
Changes during the period			
Change in scope of consolidation	**—**	—	**—**
Cash dividends	**(3,476)**	(1,739)	**(22,958)**
Profit attributable to owners of parent	**13,826**	13,108	**91,307**
Reversal of revaluation reserve for land	**—**	—	**—**
Total changes during the period	**10,350**	11,369	**68,349**
Balance at the end of current period	**135,848**	125,498	**897,157**
Treasury stock			
Balance at the beginning of current period	**(1,700)**	(1,700)	**(11,225)**
Changes during the period			
Purchase of treasury stock	**—**	—	**—**
Sale of treasury stock	**—**	—	**—**
Total changes during the period	**—**	—	**—**
Balance at the end of current period	**(1,700)**	(1,700)	**(11,225)**
Total shareholders' equity			
Balance at the beginning of current period	**162,030**	152,059	**1,070,069**
Changes during the period			
Cash dividends	**(3,476)**	(1,739)	**(22,958)**
Profit attributable to owners of parent	**13,826**	13,108	**91,307**
Purchase of treasury stock	**—**	—	**—**
Sale of treasury stock	**—**	—	**—**
Change in scope of consolidation	**—**	—	**—**
Reversal of revaluation reserve for land	**—**	—	**—**
Change in ownership interest of parent due to transactions with noncontrolling interests	**(80)**	(1,398)	**(525)**
Total changes during the period	**10,270**	9,971	**67,824**
Balance at the end of current period	¥ **172,300**	¥ 162,030	$ **1,137,893**

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen 2024	 2023	Thousands of U.S. dollars (Note 1) 2024
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥ **2,189**	¥ 843	$ **14,459**
Changes during the period			
Net changes in items other than shareholders' equity	**1,804**	1,346	**11,914**
Total changes during the period	**1,804**	1,346	**11,914**
Balance at the end of current period	**3,993**	2,189	**26,373**
Deferred gains and losses on hedges			
Balance at the beginning of current period	**109**	(186)	**719**
Change during the period			
Net changes in items other than shareholders' equity	**5**	295	**32**
Total changes during the period	**5**	295	**32**
Balance at the end of current period	**114**	109	**751**
Revaluation reserve for land			
Balance at the beginning of current period	**4,536**	4,536	**29,954**
Changes during the period			
Net changes in items other than shareholders' equity	**—**	—	**—**
Total changes during the period	**—**	—	**—**
Balance at the end of current period	**4,536**	4,536	**29,954**
Remeasurement of defined benefit plans			
Balance at the beginning of current period	**3,264**	2,162	**21,555**
Changes during the period			
Net changes in items other than shareholders' equity	**271**	1,102	**1,793**
Total changes during the period	**271**	1,102	**1,793**
Balance at the end of current period	**3,535**	3,264	**23,348**
Foreign currency translation adjustments			
Balance at the beginning of current period	**7,559**	3,541	**49,922**
Changes during the period			
Net changes in items other than shareholders' equity	**2,603**	4,018	**17,189**
Total changes during the period	**2,603**	4,018	**17,189**
Balance at the end of current period	**10,162**	7,559	**67,111**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**17,657**	10,896	**116,609**
Changes during the period			
Net changes in items other than shareholders' equity	**4,683**	6,761	**30,928**
Total changes during the period	**4,683**	6,761	**30,928**
Balance at the end of current period	¥ **22,340**	¥ 17,657	$ **147,537**

Consolidated Statements of Changes in Net Assets

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Noncontrolling interests			
Balance at the beginning of current period	**¥ 10,487**	¥ 12,734	**$ 69,255**
Changes during the period			
Net changes in items other than shareholders' equity	**(3,697)**	(2,247)	**(24,415)**
Total changes during the period	**(3,697)**	(2,247)	**(24,415)**
Balance at the end of current period	**6,790**	10,487	**44,840**
Total net assets			
Balance at the beginning of current period	**190,174**	175,689	**1,255,933**
Changes during the period			
Change in scope of consolidation	**—**	—	**—**
Cash dividends	**(3,476)**	(1,739)	**(22,958)**
Net income	**13,826**	13,108	**91,307**
Purchase of treasury stock	**—**	—	**—**
Reversal of land revaluation	**—**	—	**—**
Change in ownership interest of parent due to transactions with noncontrolling interests	**(80)**	(1,398)	**(525)**
Net changes in items other than shareholders' equity	**986**	4,514	**6,513**
Total changes during the period	**11,256**	14,485	**74,337**
Balance at the end of current period	**¥ 201,430**	¥ 190,174	**$ 1,330,270**

Consolidated Statements of Cash Flows

	Millions of yen				Thousands of U.S. dollars (Note 1)	
KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	**2024**		2023		**2024**	
Cash flows from operating activities						
Income before income taxes	**¥**	**15,316**	¥	13,629	**$**	**101,148**
Depreciation and amortization		**9,861**		9,770		**65,123**
Impairment loss on fixed assets		**4,980**		1,068		**32,890**
Amortization of goodwill		**108**		105		**714**
Increase (decrease) in provision		**118**		(336)		**776**
Increase (decrease) in net defined benefit liability		**726**		(1,036)		**4,798**
Share of profit of entities accounted for using equity method		**(1,961)**		(1,420)		**(12,952)**
Loss (gain) on sale and disposal of property, plant and equipment		**298**		283		**1,968**
Loss on accident		**1,241**		—		**8,194**
Insurance income		**(871)**		(493)		**(5,751)**
Subsidy income		**—**		(7)		**—**
Interest and dividend income		**(1,490)**		(1,000)		**(9,841)**
Interest expense		**3,582**		2,584		**23,655**
Decrease (increase) in notes and accounts receivable		**(10,726)**		(11,071)		**(70,836)**
Decrease (increase) in inventories		**4,723**		5,399		**31,193**
Increase (decrease) in notes and accounts payable		**5,874**		(2,838)		**38,792**
Increase (decrease) in accrued consumption taxes		**(456)**		2,232		**(3,011)**
Decrease (increase) in net defined benefit asset		**(542)**		(319)		**(3,579)**
Other		**(1,766)**		3,608		**(11,664)**
Subtotal		**29,015**		20,158		**191,617**
Interest and dividends received		**1,586**		994		**10,477**
Interest paid		**(3,504)**		(2,389)		**(23,140)**
Payment for loss on accident		**(1,241)**		—		**(8,194)**
Proceeds from insurance income		**1,164**		199		**7,687**
Subsidy income		**—**		7		**—**
Income taxes paid		**(2,730)**		290		**(18,032)**
Net cash provided by (used in) operating activities	**¥**	**24,290**	¥	19,259	**$**	**160,415**
Cash flows from investing activities						
Increase in time deposits	**¥**	**(55,695)**	¥	(36,657)	**$**	**(367,818)**
Decrease in time deposits		**49,868**		37,505		**329,337**
Payment for purchase of investments in securities		**(6)**		(5)		**(40)**
Proceeds from sale or redemption of investments in securities		**—**		71		**—**
Increase in money deposited		**—**		(0)		**—**
Decrease in money deposited		**0**		2		**0**
Investments in loans		**(312)**		(8)		**(2,061)**
Collection of loans		**99**		303		**653**
Payment for purchase of property, plant and equipment		**(10,435)**		(6,602)		**(68,917)**
Proceeds from sale of property, plant and equipment		**200**		36		**1,321**
Payment for purchase of intangibles		**(395)**		(522)		**(2,610)**
Other		**(372)**		(261)		**(2,454)**
Net cash provided by (used in) investing activities		**(17,048)**		(6,138)		**(112,589)**

Consolidated Statements of Cash Flows

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023	Millions of yen 2024	Millions of yen 2023	Thousands of U.S. dollars (Note 1) 2024
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	**¥ (6,150)**	¥ (3,686)	**$ (40,615)**
Proceeds from long-term debt	**—**	5,000	**—**
Repayment of long-term debt	**(4,306)**	(4,966)	**(28,434)**
Repayment of installment payables	**(234)**	(214)	**(1,547)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	**—**	(2,220)	**—**
Cash dividends paid	**(3,476)**	(1,738)	**(22,958)**
Dividends paid to noncontrolling shareholders	**(8)**	(1,193)	**(51)**
Other	**1**	—	**5**
Net cash provided by (used in) financing activities	**(14,173)**	(9,017)	**(93,600)**
Effect of exchange rate changes on cash and cash equivalents	**604**	1,107	**3,990**
Net increase (decrease) in cash and cash equivalents	**(6,327)**	5,211	**(41,784)**
Cash and cash equivalents at the beginning of the period	**32,421**	27,210	**214,110**
Cash and cash equivalents at the end of the period (Note 12)	**¥ 26,094**	¥ 32,421	**$ 172,326**

Notes to Consolidated Financial Statements

KYOEI STEEL LTD. and Consolidated Subsidiaries Years Ended March 31, 2024 and 2023

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The significant portions of the accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with International Financial Reporting Standards with adjustments for the specified following five items as applicable.

(1) Goodwill not subject to amortization
(2) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(5) Reclassification of accumulated other comprehensive income (AOCI) to profit or loss on disposal or recognition of impairment losses for equity instruments classified as fair value through other comprehensive income.

The translations of the Japanese yen amount into U.S. dollar amount are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151.42 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the parent company and all the subsidiaries over which it exerts substantial control either through majority ownership of voting stock or by other means. As a result, the accompanying consolidated financial statements for the years ended March 31, 2024 and 2023 include the accounts of the Company and its 16 and 17 subsidiaries, respectively. On March 31, 2024, KANTO STEEL LTD., which had been a subsidiary of the Company, was combined into the Company through an absorption-type merger with the Company as the surviving entity. As the company was extinguished by the merger, it was excluded from consolidation. Several subsidiaries, included in consolidation have fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company, which ends on March 31.
For these consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company’s year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

Investments in affiliates, other than the subsidiaries referred to above, are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

(b) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at each balance sheet date. The resulting gain or loss is recognized as other income or expense.

Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as foreign currency translation adjustments and noncontrolling interests in the consolidated financial statements.

(c) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and pose an insignificant risk of change in value. Cash equivalents include time deposits and certificates of deposit which mature or become due within three months from the date of acquisition.

(d) Securities

Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.
Nonmarketable securities classified as available-for-sale securities are carried at cost determined by the moving average method. If the market value of marketable securities classified as available-for-sale securities declines significantly, the securities are written down to fair value, thus establishing a new cost basis.

(e) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments.”

(f) Inventories

Steel rolls are stated at cost determined by the specific identification method. Other inventories are stated mainly at cost determined by the average method. The balance sheet values are written down to reduce book value when the contribution of the inventories to profitability declines.

(g) Depreciation and amortization

(1) Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method. For buildings and structures, the useful life is 31 years. For machinery and equipment, the useful life is 14 years.

(2) Intangible assets (excluding lease assets)

Most intangible assets are depreciated by the straight-line method. Expenditures related to computer software intended for internal use are amortized over the useful life of the respective asset, which in general is 5 years.

(3) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership of the leased assets are depreciated by the straight-line method with the lease term as the useful life and a residual value of zero.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on historical experience with such write-offs plus an estimate of specific doubtful accounts determined by a review of the collectability of the individual receivables.

(i) Accrued employee bonuses

To provide for the payment of bonuses to employees, the projected amount of such bonuses is set aside as a provision.

(j) Accrued director bonuses

At some consolidated subsidiaries, to provide for the payment of bonuses to directors, the projected amount of such bonuses is set aside as a provision.

(k) Accounting policies for severance and retirement benefits

(1) The method of attributing expected benefits to periods

In calculating retirement benefit obligation, estimated retirement benefits are attributed to the period up to the end of the consolidated fiscal year using a benefit formula basis.

(2) Recognition of actuarial differences and past service costs

Actuarial differences are amortized on a straight-line basis over a fixed number of years (mainly 10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year beginning the fiscal year following the year they occur. Past service costs are amortized on a straight-line basis over a fixed number of years (mainly 10 years) within the average service period of employees at the time of occurrence.

(3) Simplified method applied by small companies, etc.

Some consolidated subsidiaries apply a simplified method in calculating liabilities for retirement benefits and retirement benefit costs. An amount payable assuming the voluntary retirement of all employees at the fiscal year-end is considered to be equal to the retirement benefit obligation for a lump-sum severance pay plan, and the actual obligation in the latest pension finance calculation is considered to be equal to the retirement benefit obligation for the corporate pension plan.

(l) Method for recording revenues and expenses

The Company and its consolidated subsidiaries recognize revenue based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the performance obligations are fulfilled.

In the domestic steel business and overseas steel business, the primary performance obligation is to supply steel products to customers, and the Company determines that control of a product is transferred to the customer and the performance obligation fulfilled at the time of the product delivery. In the domestic steel business, the period from the time of shipment to the time of delivery is deemed to be the normal period, so the Company applies the alternative treatment regarding materiality, etc., and recognizes revenue at the time of shipment. In the material recycling business, the performance obligation is mainly to provide services, such as those related to medical waste treatment and industrial waste treatment, and revenue is recognized at the time the provision of the services is completed since the performance obligation is fulfilled at that time. The transaction price is calculated by the consideration agreed in the contract with the customer. The consideration for a transaction is received mainly within one year from the fulfillment of the performance obligations and includes no significant financial components. When the Group is engaged in transactions as an agent, revenue is recognized as the net amount received from customers less the amount paid to third parties.

(m) Income taxes

Deferred income taxes are recognized by the asset-liability method. Under the asset-liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which are expected to be in effect when the differences are recovered or settled.

(n) Significant hedge accounting

(1) Method of hedge accounting

The Company and its consolidated subsidiaries use mainly deferred hedging. Hedges that meet the conditions for the special treatment of interest rate swaps and the designation of forward exchange contracts and currency swaps are accounted for separately.

(2) Hedging instruments and hedged items

a. Hedging instruments: Interest rate swaps
   Hedged items: Interest rates

b. Hedging instruments: Forward exchange contracts and currency swaps
   Hedged items: Foreign monetary assets and liabilities

(3) Hedging policy

Interest rate swap agreements are entered into to manage the risk associated with interest rate fluctuations on borrowings. Forward foreign exchange contracts and currency swaps are entered into in order to reduce risks associated with exchange rate fluctuations for transactions denominated in foreign currencies. Hedged items are identified separately with each agreement.

(4) Evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing the hedging instrument transaction value with the hedged item transaction value for each transaction. However, when interest rate swaps meet the conditions for special treatment, an assessment of effectiveness is omitted. Also, for forward exchange contracts and currency swaps that meet the conditions for appropriate treatment, when important terms, etc., related to the hedging instrument and hedged item are the same and the cash flow is fixed, an assessment of effectiveness is omitted.

(o) Goodwill

Goodwill is depreciated by the straight-line method within 20 years. However, goodwill is expensed in a lump sum when the value is immaterial.

(p) Cash in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with original maturities of three months or less and which represent only a minor risk of fluctuation in value.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Year ended March 31, 2024
Impairment of fixed assets

(1) VINA KYOEI STEEL COMPANY LIMITED (VKS)

(a) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Tangible assets (After recording impairment loss)	**¥ 4,460**	¥ 11,209	**$ 29,453**
Intangible assets (After recording impairment loss)	**8**	14	**50**
Impairment loss	**¥ 4,945**	¥ —	**$ 32,656**

(b) Information on significant accounting estimates for identified items

VKS, a consolidated subsidiary of the Company, applies International Financial Reporting Standards. For cash-generating units that contain fixed assets, impairment tests are performed if there are indications of impairment, and if the recoverable amount is less than the book value, an impairment loss is recognized. In the current consolidated fiscal year, the Company determined that there were indications of impairment of fixed assets held by VKS due to a decline in profitability. As a result of conducting an impairment test, the Company found that the recoverable amount was less than the book value, and therefore recognized an impairment loss. Future cash flows used for calculating the recoverable amount are estimated based on the business plan approved by management. The metal spread (the difference between the price of steel and the price of raw materials) included in the business plan is affected by changes in the global supply and demand structure. In addition, the discount rate used to calculate the recoverable amount has a significant impact on the measurement of impairment loss. Any changes to the assumptions for these estimates may have a significant impact on the occurrence of impairment loss in the following consolidated fiscal years.

(2) Vietnam Italy Steel Joint Stock Company (VIS)

(a) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Tangible assets (After recording impairment loss)	**¥ 6,192**	¥ 3,300	**$ 40,896**
Intangible assets (After recording impairment loss)	**347**	364	**2,295**
Impairment loss	**¥ —**	¥ 1,068	**$ —**

(b) Information on significant accounting estimates for identified items

VIS, a consolidated subsidiary of the Company, applies International Financial Reporting Standards. For cash-generating units that contain fixed assets, impairment tests are performed if there are indications of impairment, and if the recoverable amount is less than the book value, an impairment loss is recognized. In the current consolidated fiscal year, the Company determined that there were indications of impairment of fixed assets held by VIS due to a decline in profitability. As a result of conducting an impairment test, the Company found that the recoverable amount was greater than the book value, and therefore no impairment loss was recognized. Future cash flows used for calculating the recoverable amount are estimated based on the business plan approved by management. The metal spread (the difference between the price of steel and the price of raw materials) included in the business plan is affected by changes in the global supply and demand structure. In addition, the discount rate used to calculate the recoverable amount has a significant impact on the measurement of impairment loss. Any changes to the assumptions for these estimates may have a significant impact on the occurrence of impairment loss in the following consolidated fiscal years.

Year ended March 31, 2023
Impairment of fixed assets

(a) Amount recorded in the consolidated financial statements for the current fiscal year

For the fiscal year ended March 31, 2023, the Company recorded impairment loss on tangible assets and intangible assets related to VIS.

Year ended March 31, 2023	Millions of yen	Thousands of U.S. dollars
Tangible assets (After recording impairment loss)	¥ 3,300	$ 24,710
Intangible assets (After recording impairment loss)	364	2,729
Impairment loss	**¥ 1,068**	**$ 7,996**

(b) Information on significant accounting estimates for identified items

The Group recognizes an impairment loss when it is determined that there is an indication of impairment and the total undiscounted future cash flows from the asset group are less than the book value. In this case, the book value is reduced to the recoverable amount, and the amount of such decrease is measured as impairment loss. Future cash flows used for recognizing impairment loss and calculating value in use are determined based on the business plan approved by management and the best estimate based on information available at that time. However, changes in assumptions on which the estimates are based due to changes in the future uncertain market environment may have a significant impact on the occurrence of impairment loss in the following consolidated fiscal years.

4. ACCOUNTING STANDARDS NOT YET IMPLEMENTED

Year ended March 31,2024

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

Year ended March 31,2023

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(a) Overview

On February 2018, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28) was announced, and the management of practical guidelines for tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to ASBJ. In the process of deliberation, two topics which were supposed to be discussed after the announcement of ASBJ Guidance No. 28, etc., were deliberated and publicized.

- Accounting for tax expenses (taxation on other comprehensive income)
- Tax effects of sales of the shares, etc., of subsidiaries when the group taxation regime is applied (shares of subsidiaries or affiliates)

(b) Planned date of application

To be applied from the beginning of the fiscal year ending March 2025.

(c) Impact of application of accounting standards

The effect of the application of “Accounting Standard for Current Income Taxes,” etc., on the consolidated financial statements is currently under assessment.

5. INVENTORIES

Inventories at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Merchandise	**¥ 580**	¥ 436	**$ 3,830**
Finished goods	**23,879**	23,533	**157,700**
Semi-finished goods	**8,111**	10,363	**53,569**
Work-in-process	**4,246**	2,707	**28,043**
Raw materials	**11,187**	15,054	**73,878**
Supplies	**12,890**	11,293	**85,128**
Steel rolls	**4,112**	4,129	**27,154**
Total	**¥ 65,005**	¥ 67,515	**$ 429,302**

6. APPLICATION OF LAND REVALUATION LAW

Land used for business purposes was revalued in accordance with the “Act on Revaluation of Land” (Law 34 of 1998, promulgated on March 31, 1998). The portion of the revaluation gain equivalent to the corporation tax and other taxes with tax bases linked to corporate profits has been presented under liabilities as “Deferred tax liabilities on revaluation,” while the net sum after this transfer to the deferred tax liability account is presented under net assets as “Revaluation reserve for land.”

Revaluation method
The land value has been calculated as stipulated in Article 2.4 of the “Regulations for Applying the Land Revaluation Law” (Government Ordinance No. 119 of 1998, promulgated on March 31, 1998) by making adjustments to the price determined by the method publicly announced for the calculation of the tax base under the Land Value Tax.

Revaluation date: March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Difference between the market value at end of year and the book value after revaluation	**¥ (4,959)**	¥ (5,063)	**$ (32,749)**

7. BANK LOANS

Short-term loans consisted of unsecured loans payable from banks at the weighted average interest rate of 4.70% at March 31, 2024 and 6.20% at March 31, 2023.

Long-term debt from banks at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Long-term debt from banks at average interest rates of 0.9% for current and noncurrent portions, respectively	**¥ 27,388**	¥ 31,195	**$ 180,878**
Less current portion	**(4,776)**	(4,235)	**(31,543)**
Long-term debt from banks	**¥ 22,612**	¥ 26,960	**$ 149,335**

The assets pledged as collateral for short-term loans at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash and deposits*	**¥ 603**	¥ 550	**$ 3,979**
Land	**1,121**	1,121	**7,405**
Total	**¥ 1,724**	¥ 1,671	**$ 11,384**

* At the request of AltaSteel Inc., the Company provided collateral for a financial institution to issue a stand-by letter of credit.

Secured debt at March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Long-term debt due within one year	**¥ 167**	¥ 200	**$ 1,101**
Long-term debt	**—**	167	**—**
Total	**¥ 167**	¥ 367	**$ 1,101**

The annual maturities of long-term debt from banks as of March 31, 2024 are summarized as follows:

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2025	¥ 4,776	$ 31,543
2026	5,021	33,160
2027	4,906	32,398
2028	4,674	30,869
2029	4,024	26,574
Thereafter	3,987	26,334
Total	**¥ 27,388**	**$ 180,878**

The annual maturities of long-term debt from banks as of March 31, 2023 are summarized as follows:

Year ended March 31	Millions of yen
2024	¥ 4,235
2025	4,698
2026	4,945
2027	4,842
2028	4,625
Thereafter	7,850
Total	**¥ 31,195**

8. R&D EXPENSES

R&D expenses included in selling, general and administrative expenses for the years ended March 31, 2024 and 2023 amounted to ¥236 million ($1,557 thousand) and ¥272 million, respectively.

9. NET ASSETS

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of new shares as additional paid-in capital, which is included in capital surplus. Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law and regulations.

At the Board Directors' meeting held on April 30, 2024, the Board approved cash dividends in the amount of ¥3,259 million ($21,526 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2024. At the Board Directors' meeting held on April 28, 2023, the Board approved cash dividends in the amount of ¥2,825 million. The appropriation had not been accrued in the consolidated financial statements as of March 31, 2023.

10. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the year ended March 31, 2024 and 30.6% for the year ended March 31, 2023.

The major components of deferred tax assets and liabilities as of March 31, 2024 and 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred tax assets:			
Impairment loss	**¥ 1,296**	¥ 303	**$ 8,561**
Inventories	**177**	188	**1,169**
Accrued enterprise taxes	**315**	41	**2,078**
Allowance for doubtful accounts	**41**	37	**272**
Accrued bonuses	**261**	259	**1,724**
Net defined benefit liability	**171**	81	**1,129**
Accrued director retirement benefits	**27**	28	**179**
Tax loss carryforwards	**2,809**	1,630	**18,553**
Other	**1,105**	905	**7,294**
Gross deferred tax assets	**6,202**	3,472	**40,959**
Valuation allowance	**(1,838)**	(1,661)	**(12,138)**
Total deferred tax assets	**4,364**	1,811	**28,821**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(1,691)**	(972)	**(11,168)**
Net defined benefit asset	**(497)**	(305)	**(3,282)**
Reserve for special depreciation for tax purposes	**(10)**	(12)	**(68)**
Depreciation of consolidated overseas subsidiaries	**(2,957)**	(2,696)	**(19,529)**
Valuation difference on assets	**(143)**	(118)	**(943)**
Other	**(683)**	(613)	**(4,510)**
Total deferred tax liabilities	**(5,981)**	(4,716)	**(39,500)**
Net deferred tax assets	**¥ (1,617)**	¥ (2,905)	**$ (10,679)**

If there is a material difference between the statutory tax rate and the effective tax rate, a breakdown of the major components that contributed to the difference are as follows:

	2024	2023
Statutory tax rate	**30.6%**	30.6%
Disallowed expenses, including entertainment expenses	**0.2**	0.3
Dividends and other income deductible for income tax purposes	**(0.2)**	(0.1)
Inhabitants per capita taxes	**0.2**	0.3
Increase in valuation allowance	**1.2**	3.1
Prior year's taxes, other	**0.1**	(0.0)
Equity gains of affiliates	**(3.9)**	(3.2)
Amortization of goodwill	**0.2**	0.2
Subsidiary tax rate difference	**7.7**	3.9
Allowance of subsidiary's equity valuation loss	**—**	(21.4)
Other	**0.9**	1.7
Effective tax rates	**37.0%**	15.4%

(Note) Accounting of corporate tax, local corporate tax and tax effect accounting for these items
The Company and some domestic consolidated subsidiaries shifted from the Consolidated Tax Return Filing System to the Japanese Group Relief System. Accordingly, the Company conducted accounting of corporate tax and local corporate tax, or accounting and disclosure of tax effect accounting for these items in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021).

11. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the consolidated statements of changes in net assets for the years ended March 31, 2024 and March 31, 2023:

(a) Number of shares issued

For the year ended March 31, 2024

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**44,898,730**	**—**	**—**	**44,898,730**

For the year ended March 31, 2023

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	44,898,730	—	—	44,898,730

(b) Treasury stock

For the year ended March 31, 2024

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	**1,439,755**	**—**	**—**	**1,439,755**

For the year ended March 31, 2023

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (number of shares)	1,439,755	—	—	1,439,755

(c) Cash dividends

Amount of dividend payments

For the year ended March 31, 2024

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
April 28, 2023 (Board of Directors)	**Common stock**	**¥ 2,825**	**$ 18,656**	**¥ 65**	**$ 0.4**	**March 31, 2023**	**June 12, 2023**

Date of approval	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Record date	Effective date
October 31, 2023 (Board of Directors)	**Common stock**	**¥ 652**	**$ 4,305**	**¥ 15**	**$ 0.1**	**September 30, 2023**	**December 7, 2023**

For the year ended March 31, 2023

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
April 28, 2022 (Board of Directors)	Common stock	¥ 1,086	¥ 25	March 31, 2022	June 9, 2022

Date of approval	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
October 31, 2022 (Board of Directors)	Common stock	¥ 652	¥ 15	September 30, 2022	December 7, 2022

12. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation of cash and cash equivalents

The following table represents a reconciliation of cash and cash equivalents at March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash and time deposits	¥ **57,638**	¥ 57,746	$ **380,649**
Time deposits with a maturity of more than three months	**(31,544)**	(25,325)	**(208,323)**
Cash and cash equivalents	¥ **26,094**	¥ 32,421	$ **172,326**

13. SEVERANCE AND RETIREMENT BENEFITS

(a) Defined benefit plans, lump-sum benefit plans and defined contribution plans

Some of the Company's subsidiaries have instituted defined benefit plans or lump-sum benefit plans and calculate defined benefit liabilities and periodic pension cost by the simplified method. Certain consolidated overseas subsidiaries, in addition to the above, provide post-retirement healthcare, etc.

(b) Defined benefit plan

The provisional accounting treatment for the business combination applied in the previous consolidated fiscal year was finalized in the current fiscal year. The comparison of figures reflects a significant revision of the initial allocation of the acquisition cost for the business combination resulting from the finalization of the provisional accounting treatment.

(1) Movement in retirement benefit obligations, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at April 1	¥ **20,994**	¥ 24,353	$ **138,649**
Service cost	**499**	643	**3,296**
Interest cost	**918**	693	**6,062**
Actuarial loss	**576**	(5,133)	**3,804**
Benefits paid	**(1,282)**	(1,158)	**(8,464)**
Prior service cost	**48**	46	**317**
Others*	**1,900**	1,550	**12,545**
Balance at March 31	¥ **23,653**	¥ 20,994	$ **156,209**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(2) Movements in plan assets, except those applying a simplified method and described in (3)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at April 1	¥ **21,426**	¥ 23,453	$ **141,499**
Expected return on plan assets	**1,005**	978	**6,640**
Actuarial gain (loss)	**1,286**	(3,451)	**8,493**
Contributions paid by the employer	**387**	329	**2,555**
Benefits paid	**(1,282)**	(1,110)	**(8,464)**
Others*	**1,531**	1,227	**10,104**
Balance at March 31	¥ **24,353**	¥ 21,426	$ **160,827**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(3) Movement in liability for retirement benefits by applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at April 1	**¥ (206)**	¥ (129)	**$ (1,361)**
Retirement benefit cost	**(4)**	31	**(26)**
Benefits paid	**(39)**	(5)	**(260)**
Contributions to benefit plans	**(112)**	(110)	**(739)**
Others*	**3**	7	**18**
Balance at March 31	**¥ (358)**	¥ (206)	**$ (2,368)**

*Others represents the translation adjustments arising from liability for retirement benefits of overseas subsidiaries.

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Funded retirement benefit obligations	**¥ 21,011**	¥ 18,905	**$ 138,758**
Plan assets	**(26,250)**	(23,065)	**(173,357)**
Subtotal	**(5,239)**	(4,160)	**(34,599)**
Unfunded retirement benefit obligations	**4,181**	3,521	**27,612**
Total net liability (asset) for retirement benefits at March 31	**¥ (1,058)**	¥ (639)	**$ (6,987)**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net defined benefit asset	**¥ (5,132)**	¥ (3,983)	**$ (33,892)**
Net defined benefit liability	**4,074**	3,344	**26,906**
Total net liability (asset) for retirement benefits at March 31	**¥ (1,058)**	¥ (639)	**$ (6,986)**

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Service cost	**¥ 499**	¥ 643	**$ 3,296**
Interest cost	**918**	693	**6,062**
Expected return on plan assets	**(1,005)**	(978)	**(6,640)**
Net actuarial loss (gain) amortization	**(283)**	(229)	**(1,862)**
Prior service cost	**32**	30	**210**
Retirement benefit cost applying the simplified method	**(4)**	31	**(26)**
Total retirement benefit costs for the year ended March 31	**¥ 157**	¥ 190	**$ 1,040**

(6) Remeasurement of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Prior service cost	**¥ (16)**	¥ (16)	**$ (106)**
Actuarial gain or loss	**428**	1,453	**2,828**
Total balance at March 31	**¥ 412**	¥ 1,437	**$ 2,722**

(7) Accumulated adjustments for retirement benefits

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		**2024**	
Unrecognized Prior service cost	**¥**	**(410)**	¥	(394)	**$**	**(2,709)**
Unrecognized actuarial gain or loss		**5,124**		4,696		**33,841**
Total balance at March 31	**¥**	**4,714**	¥	4,302	**$**	**31,132**

(8) Plan assets

a. Plan assets comprise:

	2024	2023
Bonds	**61%**	53%
Stock	**32**	39
Life insurance company general accounts	**4**	5
Other	**3**	3
Total	**100%**	100%

b. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions are as follows:

	2024	2023
Discount rate	**1.4%–5.3%**	1.0%–3.2%
Expected long-term rate of return	**1.5%–6.2%**	1.5%–5.3%
Salary increase rate	**2.2%–3.0%**	2.2%–3.0%

(c) Defined contribution scheme

The required contribution to the Company's defined contribution plan was ¥249 million ($1,646 thousand) for the year ended March 31, 2024 and ¥249 million for the year ended March 31, 2023.

14. AMOUNTS PER SHARE

	Yen				U.S. dollars	
Years ended March 31	**2024**		2023		**2024**	
Net income	**¥**	**318.13**	¥	301.61	**$**	**2.10**
	Yen				U.S. dollars	
As of March 31	**2024**		2023		**2024**	
Net assets	**¥**	**4,478.71**	¥	4,134.64	**$**	**29.58**

Net income per share is based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Net assets per share is based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the balance sheet date.

Basic net assets per share are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2024**	2023	**2024**
Basic net assets per share:			
Total net assets on the balance sheets	**¥ 201,430**	¥ 190,174	**$ 1,330,270**
Deduction from total net assets	**(6,790)**	(10,487)	**(44,840)**
Noncontrolling interests	**(6,790)**	(10,487)	**(44,840)**
Amount attributable to shareholders of common stock	**¥ 194,640**	¥ 179,687	**$ 1,285,430**
Number of shares outstanding	**44,899**	44,899	**—**
Number of treasury shares	**(1,440)**	(1,440)	**—**
Number of shares at fiscal year-end used in calculation of net assets per share	**43,459 thousand shares**	43,459 thousand shares	**—**

Basic net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2024**	2023	**2024**
Basic net income per share:			
Profit attributable to owners of parents	**¥ 13,826**	¥ 13,108	**$ 91,307**
Amount attributable to shareholders of common stock	**¥ 13,826**	¥ 13,108	**$ 91,307**
Weighted average number of shares outstanding	**43,459 thousand shares**	43,459 thousand shares	**—**

15. LEASES

The Group has entered into finance lease contracts which do not transfer the ownership of the leased assets. The main assets of these finance leases are optical instruments used for the steel business and classified as tools, furniture and fixtures.

The Group also has entered into noncancellable operating lease contracts. Future lease payments subsequent to March 31, 2024 and 2023 under noncancellable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2024**	2023	**2024**
Due within one year	**¥ 26**	¥ 19	**$ 174**
Due after one year	**425**	265	**2,807**
Total	**¥ 451**	¥ 284	**$ 2,981**

(Note) This does not include lease transactions for which assets and liabilities are recorded on the consolidated balance sheets in accordance with IFRS 16 "Leases" and U.S. GAAP ASU2016-02, Leases (Topic 842).

16. FINANCIAL INSTRUMENTS

Additional information – Disclosure of fair value of financial instruments

(a) Qualitative information on financial instruments

(1) Policies for using financial instruments

Surplus capital is managed using financial instruments that carry little or no risk, and working capital is procured from bank loans. The Group uses derivatives to reduce the risks associated with exchange rate fluctuations for transactions denominated in foreign currencies, with interest rate fluctuations on borrowings, with price fluctuation risk for fuel and, as a matter of policy, does not use derivatives for speculative purposes.

(2) Details of financial instruments used the exposure to risk and the policies and processes for managing risk

Notes and accounts receivable and electronically recorded monetary claims - operating expose the Group to customer credit risk. To manage this risk, the Group has established internal procedures for receivables, manages the amounts and settlement dates and monitors the financial condition of the counterparties.
Bonds and negotiable deposits expose the Group to the credit risk of the issuing company. To manage this risk, the Group uses only short-term financial instruments issued by institutions of high credit rating. The risk associated with market price fluctuation of these financial instruments is extraordinarily low.

Investments in securities expose the Group to the risk of changes in market prices. However, the issuing companies are mostly related to the Group's business, and the market price is reported to the Board of Directors' periodically.

Almost all notes and accounts payable and electronically recorded obligations – operating are due within four months.

Short-term loans are used mainly to procure operating capital, and long-term debt, bonds and lease debt are used mainly for overseas business investment, capital investment and working capital. Foreign currency denominated trade assets and liabilities expose the Group to the risk associated with exchange rate fluctuation.

To reduce the risk, the Group uses derivatives transactions (forward foreign exchange contracts and currency swaps) as hedging instruments. To reduce the price fluctuation risk associated with some fuel purchases, the Group uses derivatives transactions (commodity futures trading) as hedging instruments. Hedged instruments are recognized by the individual contract. Hedge effectiveness is tested for each transaction but not when the transaction meets certain hedging criteria.

The Group enters into derivative transactions only with financial institutions of high credit rating. As a result, the Group believes there is almost no credit risk in connection with these transactions. Moreover, the derivative transactions are executed in accordance with internal management regulations.

While operating payables, loans payable and lease debt are exposed to liquidity risk, the Group manages the risk by producing cash flow plans on a monthly basis.

(3) Supplemental information on fair values

To estimate the fair value, certain assumptions must be made. The fair value estimates, therefore, may vary depending on what assumptions are made.

(b) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2024 and 2023 were as follows:

Year ended March 31, 2024	Millions of yen			Thousands of U.S. dollars		
	Carrying amount shown in balance sheet	Fair value	Difference	Carrying amount shown in balance sheet	Fair value	Difference
Investments in securities						
Other securities	**¥ 8,124**	**¥ 8,124**	**¥ —**	**$ 53,654**	**$ 53,654**	**$ —**
Investments in long-term loans receivable	**187**	**187**	**—**	**1,235**	**1,235**	**—**
Bond	**(10,000)**	**(9,829)**	**(171)**	**(66,041)**	**(64,912)**	**(1,129)**
Long-term debt						
Due within one year	**(4,776)**	**(4,747)**	**(29)**	**(31,543)**	**(31,347)**	**(196)**
Due after one year	**(22,612)**	**(22,128)**	**(484)**	**(149,335)**	**(146,139)**	**(3,196)**
Lease obligations	**(1,272)**	**(1,318)**	**46**	**(8,400)**	**(8,702)**	**302**
Derivatives	**¥ 308**	**¥ 308**	**¥ —**	**$ 2,035**	**$ 2,035**	**$ —**

Year ended March 31, 2023	Millions of yen		
	Carrying amount shown in balance sheet	Fair value	Difference
Investments in securities			
Other securities	¥ 5,597	¥ 5,597	¥ —
Investments in long-term loans receivable	243	243	—
Bond	(10,000)	(9,885)	(115)
Long-term debt			
Due within one year	(4,235)	(4,222)	(13)
Due after one year	(26,960)	(26,624)	(336)
Lease obligations	(1,361)	(1,371)	10
Derivatives	¥ 113	¥ 113	¥ —

(Note) 1. "Cash and time deposits," "Notes and accounts receivable," "Electronically recorded monetary claims - operating," "Notes and accounts payable," "Electronically recorded obligations – operating" and "Short-term loans" are not included in the table above because they are settled in a short term since the market value is close to the book value.

2. The following financial instruments are not included in the above table because market prices were not available.
The amounts recorded in the consolidated balance sheet for the relevant financial instruments are as follows.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Investments in securities			
Unlisted securities	**¥ 9,935**	¥ 8,468	**$ 65,614**
Investments and other assets			
Investments in capital	**¥ 1,117**	¥ 1,006	**$ 7,379**

3. The amount of "Lease obligations" shows the sum of the lease obligation amounts included in other current liabilities and other long-term liabilities.
4. Receivables and payables incurred by derivative transactions are presented as a net amount.

(1) Amount to be redeemed after the consolidated closing date of monetary asset and securities with maturity

Year ended March 31, 2024	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	**¥ 57,638**	**¥ —**	**¥ —**	**¥ —**
Notes	**630**	**—**	**—**	**—**
Accounts receivable	**65,696**	**—**	**—**	**—**
Electronically recorded monetary claims-operating	**27,081**	**—**	**—**	**—**
Investments in long-term loans receivable	**—**	**185**	**2**	**—**
Total	**¥ 151,045**	**¥ 185**	**¥ 2**	**¥ —**

Year ended March 31, 2024	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	**$ 380,649**	**$ —**	**$ —**	**$ —**
Notes	**4,163**	**—**	**—**	**—**
Accounts receivable	**433,867**	**—**	**—**	**—**
Electronically recorded monetary claims-operating	**178,845**	**—**	**—**	**—**
Investments in long-term loans receivable	**—**	**1,222**	**13**	**—**
Total	**$ 997,524**	**$ 1,222**	**$ 13**	**$ —**

Year ended March 31, 2023	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and time deposits	¥ 57,746	¥ —	¥ —	¥ —
Notes	725	—	—	—
Accounts receivable	60,539	—	—	—
Electronically recorded monetary claims-operating	20,092	—	—	—
Investments in long-term loans receivable	—	241	2	0
Total	¥ 139,102	¥ 241	¥ 2	¥ 0

(2) Expected repayment amount of short-term loan, bond, long-term debts and lease debts after the consolidated closing date

Year ended March 31, 2024	Millions of yen					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	**¥ 55,351**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bond	**—**	**—**	**10,000**	**—**	**—**	**—**
Long-term debt	**4,776**	**5,021**	**4,906**	**4,674**	**4,024**	**3,987**
Lease debt	**330**	**212**	**143**	**206**	**92**	**289**
Total	**¥ 60,457**	**¥ 5,233**	**¥ 15,049**	**¥ 4,880**	**¥ 4,116**	**¥ 4,276**

Year ended March 31, 2024	Thousands of U.S. dollars					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	**$ 365,547**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bond	**—**	**—**	**66,041**	**—**	**—**	**—**
Long-term debt	**31,543**	**33,160**	**32,398**	**30,869**	**26,574**	**26,334**
Lease debt	**2,177**	**1,400**	**948**	**1,358**	**610**	**1,907**
Total	**$ 399,267**	**$ 34,560**	**$ 99,387**	**$ 32,227**	**$ 27,184**	**$ 28,241**

Year ended March 31, 2023	Millions of yen					
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Short-term loans	¥ 58,342	¥ —	¥ —	¥ —	¥ —	¥ —
Bond	—	—	—	10,000	—	—
Long-term debt	4,235	4,698	4,945	4,842	4,625	7,849
Lease debt	308	245	194	146	127	341
Total	¥ 62,885	¥ 4,943	¥ 5,139	¥ 14,988	¥ 4,752	¥ 8,190

(c) Matters concerning the breakdown of financial instruments by fair value level

The Company classifies the fair value of financial instruments into the following three levels according to the observability and significance of the inputs used to calculate the fair value.

Level 1: Fair value measured by quoted market prices for identical assets or liabilities in an active market
Level 2: Fair value measured using observable inputs other than Level 1 inputs
Level 3: Fair value measured using significant unobservable inputs

When multiple inputs that have a significant impact on the measuring fair value are used, the fair value is classified by the level from which the lowest inputs were used.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Year ended March 31, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**¥ 8,124**	**¥ —**	**¥ —**	**¥ 8,124**
Total assets	**8,124**	**—**	**—**	**8,124**
Derivatives	**—**	**308**	**—**	**308**
Total assets	**¥ —**	**¥ 308**	**¥ —**	**¥ 308**

Year ended March 31, 2024	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**$ 53,654**	**$ —**	**$ —**	**$ 53,654**
Total assets	**53,654**	**—**	**—**	**53,654**
Derivatives	**—**	**2,035**	**—**	**2,035**
Total assets	**$ —**	**$ 2,035**	**$ —**	**$ 2,035**

Year ended March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥ 5,597	¥ —	¥ —	¥ 5,597
Total assets	5,597	—	—	5,597
Derivatives	—	113	—	113
Total assets	¥ —	¥ 113	¥ —	¥ 113

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Year ended March 31, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	**¥ —**	**¥ 187**	**¥ —**	**¥ 187**
Total assets	**—**	**187**	**—**	**187**
Bond	**—**	**9,829**	**—**	**9,829**
Long-term debt				
Due within 1 year	**—**	**4,747**	**—**	**4,747**
Due over 1 year	**—**	**22,128**	**—**	**22,128**
Lease debt	**—**	**1,318**	**—**	**1,318**
Total liabilities	**¥ —**	**¥ 38,022**	**¥ —**	**¥ 38,022**

Year ended March 31, 2024	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	**$ —**	**$ 1,235**	**$ —**	**$ 1,235**
Total assets	**—**	**1,235**	**—**	**1,235**
Bond	**—**	**64,912**	**—**	**64,912**
Long-term debt				
Due within 1 year	**—**	**31,347**	**—**	**31,347**
Due over 1 year	**—**	**146,139**	**—**	**146,139**
Lease debt	**—**	**8,702**	**—**	**8,702**
Total liabilities	**$ —**	**$ 251,100**	**$ —**	**$ 251, 100**

Year ended March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in long-term loans receivable	¥ —	¥ 243	¥ —	¥ 243
Total assets	—	243	—	243
Bond	—	9,885	—	9,885
Long-term debt				
Due within 1 year	—	4,222	—	4,222
Due over 1 year	—	26,624	—	26,624
Lease debt	—	1,371	—	1,371
Total liabilities	¥ —	¥ 42,102	¥ —	¥ 42,102

(Note) Valuation methods and inputs used to calculate to fair value

(Investment in securities)
The fair values of listed securities are based on the quoted market price. Since listed securities are traded in an active market, the fair value is classified as Level 1.

(Investments in long-term loans receivable)
The fair value of investments in long-term loans receivable is classified as Level 2 because the loans are classified by a certain period and the values measured by the discounted present value method based on future cash flows and interest rates obtained by adding the credit spread to appropriate indicators such as government bond yields.

(Bonds)
The fair value of bonds issued by the Company is classified as Level 2 because the value is measured by using the discounted present value method based on the total amount of principal and interest and the remaining term of the bond using an interest rate that reflects credit risk to appropriate indicators such as the yield on government bonds.

(Long-term debt and lease debt)
The fair value is classified as Level 2 because it is measured by using the discounted present value method based on the total amount of principal and interest and the remaining term of the debt using an interest rate that reflects credit risk to appropriate indicators such as the yield on government bonds.

(Derivatives)
The fair values of derivative transactions are calculated using the discounted present value method using observable inputs such as interest rates and foreign exchange rates and are classified as Level 2.

17. SECURITIES

(a) Available-for-sale securities with determinable market values

As of March 31, 2024	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:						
Stock	**¥ 2,428**	**¥ 8,124**	**¥ 5,697**	**$ 16,034**	**$ 53,654**	**$ 37,620**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Securities whose carrying value does not exceed acquisition costs:						
Stock	**—**	**—**	**—**	**—**	**—**	**—**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 2,428**	**¥ 8,124**	**¥ 5,697**	**$ 16,034**	**$ 53,654**	**$ 37,620**

As of March 31, 2023	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds acquisition costs:			
Stock	¥ 2,174	¥ 5,393	¥ 3,219
Bonds	—	—	—
Other	—	—	—
Securities whose carrying value does not exceed acquisition costs:			
Stock	248	204	(44)
Bonds	—	—	—
Other	—	—	—
Total	¥ 2,422	¥ 5,597	¥ 3,175

(b) Securities without determinable market values

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Investment in securities:			
Unlisted securities (available-for-sale securities)	**¥ 330**	¥ 330	**$ 2,177**
Unlisted securities (unconsolidated subsidiaries and affiliated companies)	**9,606**	8,139	**63,438**
Investments in capital (unconsolidated subsidiaries and affiliated companies	**¥ 1,117**	¥ 1,006	**$ 7,379**

18. DERIVATIVE TRANSACTIONS

(1) Derivative transactions for which hedge accounting is not applied

Currency related

Year ended March 31, 2024

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	**¥ 18,304**	**¥ —**	**¥ 106**	**¥ 106**	**$ 120,885**	**$ —**	**$ 703**	**$ 703**

Year ended March 31, 2023

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Nonmarket transactions	Foreign exchange forward contracts Buying U.S. dollars	¥ 21,112	¥ —	¥ 149	¥ 149

Commodity related

Year ended March 31, 2024

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Nonmarket transactions	Forward contracts Buying natural gas	**¥ 205**	**¥ —**	**¥ (53)**	**¥ (53)**	**$ 1,353**	**$ —**	**$ (352)**	**$ (352)**

Year ended March 31, 2023

	Type of derivative	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Nonmarket transactions	Forward contracts Buying natural gas	¥ 338	¥ —	¥ (189)	¥ (189)

(2) Derivative transactions for which hedge accounting is applied

Interest rate related

Year ended March 31, 2024

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**¥ 4,241**	**¥ 3,698**	**¥ 160**

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Thousands of U.S. dollars)	Amount of contracts over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	**$ 28,010**	**$ 24,425**	**$ 1,055**

Year ended March 31, 2023

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Interest rate swap transaction receive floating, pay fixed	Long-term debt	¥ 4,483	¥ 3,973	¥ 212

Currency related
Year ended March 31, 2024

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	**¥ 2,835**	**¥ —**	**¥ 95**

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Thousands of U.S. dollars)	Amount of contracts over 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	**$ 18,724**	**$ —**	**$ 629**

Year ended March 31, 2023

Hedge accounting method	Transaction type	Main hedged item	Contract amount (Millions of yen)	Amount of contracts over 1 year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge treatment	Foreign exchange forward contracts Selling U.S. dollars	Accounts receivable	¥ 4,221	¥ —	¥ (59)

19. IMPAIRMENT LOSS ON FIXED ASSETS

In the year ended March 31, 2024, the Group reported the following loss on impairment of fixed assets:

Use	Place	Type of asset	Millions of yen	Thousands of U.S. dollars
Plant in Overseas Steel Business	Ba Ria-Vung Tau Province, Vietnam	Buildings and structures	**¥ 2,611**	**$ 17,241**
		Machinery and equipment	**2,140**	**14,136**
		Other tangible assets	**191**	**1,262**
		Other intangible assets	**3**	**17**
	Sub total		**4,945**	**32,656**
Idle assets	Miyazu City, Kyoto Prefecture	Buildings and structures	**35**	**231**
		Land	**0**	**3**
	Sub total		**35**	**234**
	Total		**¥ 4,980**	**$ 32,890**

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle. In addition, idle assets were grouped individually. Regarding factories in the overseas steel business in Ba Ria-Vung Tau Province, Vietnam, the book value of the fixed assets, owned by VKS, has been written down to its recoverable value due to a decline in profitability and recorded as loss on impairment of fixed assets. Idle assets in Miyazu City, Kyoto Prefecture, have been written down to their recoverable value since there is no prospect of future use for the resort facilities owned by the Company and they have become idle, and recorded as loss on impairment of fixed assets. Regarding factories in the overseas steel business in Ba Ria-Vung Tau Province, Vietnam, the recoverable value for measuring impairment loss is determined by the value in use. The value in use was computed based on future cash flows at a discount rate of mainly 12%. Regarding idle assets in Miyazu City, Kyoto Prefecture, etc., the recoverable value for measuring impairment loss is determined by the net selling price. The value is based on examples of selling prices in nearby areas.

In the year ended March 31, 2023, the Group reported the following loss on impairment of fixed assets:

Use	Place	Type of asset	Millions of yen
Plant in Overseas Steel Business	Hung Yen Province, Vietnam Hai Phong City, Vietnam	Buildings and structures	¥ 525
		Machinery and equipment	207
		Construction in progress	79
		Other tangible assets	97
		Other intangible assets	160
		Total	¥ 1,068

The Company and the Group conduct grouping per business location for business assets to recognize loss on impairment in principle. In addition, idle assets were grouped individually. Regarding factories in the overseas steel business in Hung Yen Province, Vietnam, etc., the book value of the fixed assets, owned by VIS, has been written down to its recoverable value due to a decline in profitability and recorded as loss on impairment of fixed assets. The recoverable value for measuring impairment loss is determined by the value in use. The value in use was computed based on future cash flows at a discount rate of mainly 14%.

20. STATEMENTS OF COMPREHENSIVE INCOME

Comprehensive income for the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Current accrual	¥ 2,551	¥ 1,905	$ 16,847
Reclassification adjustment	—	(39)	—
Before tax effect adjustment	2,551	1,866	16,847
Tax effect adjustment	(747)	(520)	(4,933)
Valuation difference on available-for-sale securities	1,804	1,346	11,914
Deferred gains and losses on hedges:			
Current accrual	3	405	22
Reclassification adjustment	—	—	—
Before tax effect adjustment	3	405	22
Tax effect adjustment	(1)	(93)	(7)
Deferred gains and losses on hedges	2	312	15
Foreign currency translation adjustments:			
Current accrual	3,009	5,355	19,870
Reclassification adjustment	—	—	—
Before tax effect adjustment	3,009	5,355	19,870
Tax effect adjustment	—	—	—
Foreign currency translation adjustments	3,009	5,355	19,870
Remeasurement of defined benefit plans:			
Current accrual	662	1,635	4,372
Reclassification adjustment	(250)	(198)	(1,651)
Before tax effect adjustment	412	1,437	2,721
Tax effect adjustment	(141)	(335)	(928)
Remeasurement of defined benefit plans	271	1,102	1,793
Total	¥ 5,086	¥ 8,115	$ 33,592

21. REVENUE RECOGNITION

(a) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers is as described in Note 22, "Segment information."

(b) Revenue from contracts with customers

Revenue from contracts with customers is as described in Note 2 (l), "SIGNIFICANT ACCOUNTING POLICIES - Method for recording revenues and expenses."

(c) Additional information for revenue for the fiscal year ended March 31, 2024, and subsequent fiscal years

(1) Receivables from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Receivables from contracts with customers (beginning balance)	¥ 81,356	¥ 67,748	$ 537,291
Receivables from contracts with customers (ending balance)	¥ 93,407	¥ 81,356	$ 616,875

(2) Transaction price allocated to residual performance obligations

There is no transaction price allocated to residual performance obligations as there is no amount of revenue expected to be recognized in subsequent periods from existing contracts.

22. SEGMENT INFORMATION

(a) Overview of reporting segments

The Group's reporting segments are segments for which separate financial information can be obtained and that are subject to regular deliberation by the highest decision-making body in order to make decisions on allocating management resources and assess financial performance.

The Group's organization is based on the products and services it deals in and consists of three business segments: the Domestic Steel Business, Overseas Steel Business and Material Recycling Business. Based on these business segments, the Group formulates comprehensive domestic and overseas strategies and carries out business activities. Accordingly, the Group has made these three segments — Domestic Steel Business, Overseas Steel Business and Material Recycling Business — its reporting segments.

The Domestic Steel Business is involved in the production, sale and transport of steel products primarily for domestic civil engineering and construction. The Overseas Steel Business is involved in the production, sale and transport of steel products primarily for overseas civil engineering and construction. The Material Recycling Business is involved in the intermediate and final processing of medical waste and industrial waste and gravel recycling.

(b) Accounting methods net sales, profit or loss, assets and amounts for other items for each reporting segment

The accounting methods used for the reporting business segments are the same as those in Note 2, "Significant Accounting Policies." Reporting segment income is operating income. Intersegment transactions and transfers are based on market prices, etc.

(c) Net sales, profit or loss, assets and amounts for other items for each reporting segment

Segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2024 and 2023 is outlined as follows:

Year ended March 31, 2024

Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 159,722	¥ 150,075	¥ 6,483	¥ 316,280	¥ 4,702	¥ —	¥ 320,982
Intersegment sales and transfers	2	—	524	526	924	(1,450)	—
Total	159,724	150,075	7,007	316,806	5,626	(1,450)	320,982
Segment income	24,062	(2,827)	933	22,168	80	(1,193)	21,055
Segment assets	163,462	127,747	6,994	298,203	11,864	44,150	354,217
Other							
Depreciation and amortization	3,702	5,038	240	8,980	501	380	9,861
Amortization of goodwill	—	108	—	108	—	—	108
Impairment loss on fixed assets	35	4,945	0	4,980	—	—	4,980
Increase in property, plant, equipment and intangible assets	¥ 4,993	¥ 5,487	¥ 536	¥ 11,016	¥ 179	¥ 304	¥ 11,499

Year ended March 31, 2024

Thousands of U.S. dollars

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	**$ 1,054,827**	**$ 991,121**	**$ 42,812**	**$ 2,088,760**	**$ 31,050**	**$ —**	**$ 2,119,810**
Intersegment sales and transfers	**10**	**—**	**3,461**	**3,471**	**6,105**	**(9,576)**	**—**
Total	**1,054,837**	**991,121**	**46,273**	**2,092,231**	**37,155**	**(9,576)**	**2, 119,810**
Segment income	**158,909**	**(18,669)**	**6,159**	**146,399**	**531**	**(7,881)**	**139,049**
Segment assets	**1,079,527**	**843,660**	**46,190**	**1,969,377**	**78,352**	**291,573**	**2,339,302**
Other							
Depreciation and amortization	**24,448**	**33,273**	**1,586**	**59,307**	**3,306**	**2,510**	**65,123**
Amortization of goodwill	**—**	**714**	**—**	**714**	**—**	**—**	**714**
Impairment loss on fixed assets	**231**	**32,656**	**3**	**32,890**	**—**	**—**	**32,890**
Increase in property, plant, equipment and intangible assets	**$ 32,973**	**$ 36,234**	**$ 3,543**	**$ 72,750**	**$ 1,183**	**$ 2,011**	**$ 75,944**

(Note) 1. Other represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2. Intersegment eliminations of ¥(1,193) million ($(7,881) thousand) and corporate expenses of ¥3 million ($19 thousand) not allocated to the reporting segments were included in the ¥(1,196) million ($(7,900thousand) adjustment for "Segment income (Operating income)." Corporate expenses related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3. The adjustment of segment assets of ¥44,150 million ($291,573 thousand) related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4. The adjustment of depreciation and amortization of ¥380 million ($2,512 thousand) related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5. The adjustment of expenditure for additions to tangible and intangible assets of ¥304 million ($2,011 thousand) related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6. Segment income was adjusted against operating income of the consolidated statement of income.

Year ended March 31, 2023

Millions of yen

	Reporting segment				Others	Eliminations and adjustments	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business	Total			
Net Sales							
Sales to external customers	¥ 153,581	¥ 189,603	¥ 7,645	¥ 350,829	¥ 4,886	¥ —	¥ 355,715
Intersegment sales and transfers	8	767	371	1,146	1,052	(2,198)	—
Total	153,589	190,370	8,016	351,975	5,938	(2,198)	355,715
Segment income	14,717	(674)	1,638	15,681	(71)	(791)	14,819
Segment assets	147,101	129,366	6,725	283,192	11,834	42,687	337,713
Other							
Depreciation and amortization	3,659	5,090	191	8,940	452	378	9,770
Amortization of goodwill	—	105	—	105	—	—	105
Impairment loss on fixed assets	—	1,068	—	1,068	—	—	1,068
Increase in property, plant, equipment and intangible assets	¥ 4,086	¥ 4,629	¥ 109	¥ 8,824	¥ 89	¥ 419	¥ 9,332

(Note) 1. Other represents the businesses which were not included in any of the reporting segments and consisted mainly of the civil engineering materials sales business and the insurance agent business.
2. Intersegment eliminations of ¥(791) million and corporate expenses of ¥38 million not allocated to the reporting segments were included in the ¥(829) million adjustment for "Segment income (Operating income)." Corporate expenses related mainly to the general affairs department and other management departments of the submitting company's head office that are not attributable to a reporting segment.
3. The adjustment of segment assets of ¥42,687 million related mainly to the Company's surplus funds (cash and time deposits and marketable securities) and long-term investments (investment securities) and belonged to the general control division in the head office of the Company.
4. The adjustment of depreciation and amortization of ¥378 million related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
5. The adjustment of expenditure for additions to tangible and intangible assets of ¥419 million related mainly to the general affairs department and other management departments of the submitting company's head office and was not attributable to a reporting segment.
6. Segment income was adjusted against operating income of the consolidated statement of income.

(d) Information related to geographic areas

Information for the geographic areas for the years ended March 31, 2024 and 2023 is outlined as follows:

(1) Net sales

Year ended March 31, 2024 — Millions of yen

Japan	Overseas	Vietnam	Canada	United States	Others	Total
¥ 168,951	**¥ 152,031**	**¥ 83,548**	**¥ 29,339**	**¥ 31,810**	**¥ 7,334**	**¥ 320,982**

Year ended March 31, 2024 — Thousands of U.S. dollars

Japan	Overseas	Vietnam	Canada	United States	Others	Total
$ 1,115,775	**$ 1,004,035**	**$ 551,760**	**$ 193,761**	**$ 210,078**	**$ 48,436**	**$ 2,119,810**

Year ended March 31, 2023 — Millions of yen

Japan	Overseas	Vietnam	Canada	United States	Others	Total
¥ 160,447	¥ 195,268	¥ 114,753	¥ 32,909	¥ 35,048	¥ 12,558	¥ 355,715

(2) Property, plant and equipment

Year ended March 31, 2024 — Millions of yen

Japan	Vietnam	Canada	United States	Total
¥ 60,708	**¥ 16,544**	**¥ 16,853**	**¥ 7,343**	**¥ 101,448**

Year ended March 31, 2024 — Thousands of U.S. dollars

Japan	Vietnam	Canada	United States	Total
$ 400,923	**$ 109,259**	**$ 111,303**	**$ 48,493**	**$ 669,978**

Year ended March 31, 2023 — Millions of yen

Japan	Vietnam	Canada	United States	Total
¥ 59,177	¥ 20,725	¥ 6,459	¥ 15,833	¥ 102,194

(3) Information about principal customers

Year ended March 31, 2024 — Millions of yen

Counterparty	Sales	Related segment
Hanwa Co., Ltd.	**¥ 36,475**	Domestic Steel Business

Thousands of U.S. dollars

Counterparty	Sales	Related segment
Hanwa Co., Ltd.	**$ 240,887**	Domestic Steel Business

Year ended March 31, 2023

Of the sales to external customers, the description is omitted because there are no customers who account for 10% or more of the sales on the consolidated statements of income.

(4) Impairment loss on fixed assets by reportable segment

Year ended March 31, 2024

Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	**¥ 35**	**¥ 4,945**	**¥ 0**	**¥ —**	**¥ —**	**¥ 4,980**

Thousands of U.S. dollars

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	**$ 231**	**$ 32,656**	**$ 3**	**$ —**	**$ —**	**$ 32,890**

Year ended March 31, 2023

Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Impairment loss on fixed assets	¥ —	¥ 1,068	¥ —	¥ —	¥ —	¥ 1,068

(5) Amortization of goodwill and balance of unamortized goodwill by reportable segment

Year ended March 31, 2024

Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	**¥ —**	**¥ 108**	**¥ —**	**¥ —**	**¥ —**	**¥ 108**
Balance at the end of the term	**¥ —**	**¥ 797**	**¥ —**	**¥ —**	**¥ —**	**¥ 797**

Thousands of U.S. dollars

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	**$ —**	**$ 714**	**$ —**	**$ —**	**$ —**	**$ 714**
Balance at the end of the term	**$ —**	**$ 5,263**	**$ —**	**$ —**	**$ —**	**$ 5,263**

Year ended March 31, 2023

Millions of yen

	Reporting segment			Others	Companywide and elimination	Consolidated
	Domestic Steel Business	Overseas Steel Business	Material Recycling Business			
Amortization of goodwill	¥ —	¥ 105	¥ —	¥ —	¥ —	¥ 105
Balance at the end of the term	¥ —	¥ 829	¥ —	¥ —	¥ —	¥ 829

23. SUBSEQUENT EVENTS

Dividend distribution of surplus

On April 30, 2024, the Company's Board of Directors resolved a dividend distribution as follows:

Millions of yen	Thousands of U.S. dollars
¥ 3,259	**$ 21,526**

Cash dividends: ¥75 ($0.5) per share.

Other Information

Audit fees
(a) Compensation for certified public accountants, etc. conducting audits

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		**2024**	
Category	Compensation for audit and attestation service	Compensation for non-audit services	Compensation for audit and attestation service	Compensation for non-audit services	Compensation for audit and attestation service	Compensation for non-audit services
Reporting company	**¥ 76**	**¥ —**	¥ 66	¥ 10	**$ 502**	**$ —**
Consolidated subsidiaries	**—**	**—**	5	0	**—**	**—**
Total	**¥ 76**	**¥ —**	¥ 71	¥ 10	**$ 502**	**$ —**

Year ended March 31,2023
Non-audit services for the Company and certain of its consolidated subsidiaries include compensation for agreed-upon procedures for applications for abatement under the "Act on Special Measures Concerning the Promotion of the Use of Renewable Electricity," fees for prior review in the establishment of new front office systems, and fees for cybersecurity external investigations.

(b) Compensation for member firms of KPMG belonging to the same network as the certified public accountants, etc. conducting audits (excluding compensation for the certified public accountants, etc. conducting audits)

	Millions of yen				Thousands of U.S. dollars	
	2024		2023		**2024**	
Category	Compensation for audit and attestation service	Compensation for non-audit services	Compensation for audit and attestation service	Compensation for non-audit services	Compensation for audit and attestation service	Compensation for non-audit services
Reporting company	**¥ —**	**¥ —**	¥ —	¥ —	**$ —**	**$ —**
Consolidated subsidiaries	**10**	**—**	39	—	**67**	**—**
Total	**¥ 10**	**¥ —**	¥ 39	¥ —	**$ 67**	**$ —**

Independent auditor's report

To the Board of Directors of KYOEI STEEL LTD.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of KYOEI STEEL LTD. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of net sales related to domestic steel products

The key audit matter	How the matter was addressed in our audit
As described in Note 22 "Segment Information," the Group is mainly engaged in the Domestic Steel Business, Overseas Steel Business and Material Recycling	The primary procedures we performed for the Company and KANTO STEEL LTD. (Currently known as Kanto Division of KYOEI STEEL LTD.) to

Business. The Domestic Steel Business is primarily operated by the Company and its consolidated subsidiary, KANTO STEEL LTD. (Currently known as Kanto Division of KYOEI STEEL LTD.). Net sales of the Domestic Steel Business amounted to ¥159,722 million for the current fiscal year, representing approximately 49.8% of net sales in the consolidated financial statements. As described in Note 2, "Significant Accounting Policies", net sales of domestic steel products are recognized at the time of products shipment. The sales transactions of domestic steel products have the following features. ● Selling prices vary depending on type and quantity of steel sold, and the delivery method. ● Selling prices fluctuate throughout the year as they are affected by market conditions. ● Even if the type and quantity of steel sold and the delivery method are identical, there would be multiple sales agreements with customers that stipulate different selling prices. With these features, there is a risk that net sales are inaccurately recognized due to input errors with respect to unit selling prices. We, therefore, determined that our assessment of the accuracy of net sales related to domestic steel products was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	assess the accuracy of net sales related to domestic steel products included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company and KANTO STEEL LTD. (Currently known as Kanto Division of KYOEI STEEL LTD.)'s internal controls relevant to the process of recognizing net sales related to domestic steel products. In this assessment, we focused our testing on the following controls: ● Controls in which a person other than the data input operator checks the transaction-related data that are input in the sales system ● Controls designed to check modifications made to unit selling prices **(2) Assessment of the accuracy of net sales related to domestic steel products** In order to assess whether the net sales related to domestic steel products were accurately recognized, we: ● Selected the transactions that were significant in value and the additional transactions on a sample basis from net sales for the current fiscal year and compared them with the amounts from cash receipts; ● Selected the customers using a statistical technique, obtained accounts receivable confirmations directly from the customers and compared them with the book balances; and ● Categorized unit selling prices by office, product type and contract month and year using sales data and identified the transactions that deviated from the average unit selling price in each category beyond a certain degree. We then inquired of the personnel responsible for sales about the reasons for the deviation and compared the unit selling prices for the transactions identified with the relevant documents, including purchase orders issued by customers.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on tangible assets and intangible assets of VINA KYOEI STEEL COMPANY LIMITED and the estimation of the recoverable amount

The key audit matter	How the matter was addressed in our audit

Tangible assets of ¥101,448 million and intangible assets of ¥3,773 million, including goodwill of ¥797 million and other intangible assets of ¥2,976 million, were recognized in the consolidated balance sheet of KYOEI STEEL LTD. and its consolidated subsidiaries as of March 31, 2024. As described in Note 3 "Significant Accounting Estimates, Impairment of fixed assets" and Note 19 "Impairment loss on fixed assets," tangible assets of ¥4,460 million and intangible assets of ¥8 million are owned by VINA KYOEI STEEL COMPANY LIMITED ("VKS"), which recorded an impairment loss of ¥4,945 million in the current fiscal year. VKS applies International Financial Reporting Standards, under which cash-generating units containing fixed assets need to be tested for impairment whenever there is an impairment indicator. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or the fair value less cost of disposal. For the current fiscal year, VKS used the value in use as the recoverable amount in the impairment testing. The future cash flows used to measure the value in use were estimated based on the business plan prepared by management. The metal spread (the difference between the price of steel and the price of raw material) included in the business plan is affected by changes in the global supply and demand structure and is highly volatile. In addition, the discount rate used to measure the value in use has a significant impact on the measurement of impairment loss. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on tangible assets and intangible assets of VKS and the estimation of the recoverable amount was one of the most significant matters in our audit of the consolidated financial	The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on tangible assets and intangible assets of VKS and the estimation of the recoverable amount included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the judgment as to whether an impairment loss should be recognized on tangible assets and intangible assets of VKS and the estimation of the recoverable amount. **(2) Assessment of the reasonableness of estimated future cash flows and discount rate used to measure the value in use** We performed procedures to evaluate the appropriateness of key assumptions used in the preparation of the business plan of VKS, which formed the basis for estimating future cash flows and the reasonableness of the discount rate estimates used to measure the value in use, as follows: ● We compared the metal spread with recent actual results, as well as the price trends of steel products and scrap (the main raw materials), with market forecast data published by external organizations; and ● We compared the input data used to calculate the discount rate with data published by external organizations.

statements for the current fiscal year, and accordingly, a key audit matter.	

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “Audit Fees” included in “Other Information” of the disclosure documents that contain or accompany the audited consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takahide Nakahata

Designated Engagement Partner

Certified Public Accountant

Shunsuke Ohigashi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

October 31, 2024

Notes to the Reader of Independent Auditor’s Report:
This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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